ធនាគារជាតិនៃកម្ពុជា

NATIONAL BANK OF CAMBODIA

LAWS AND REGULATIONS APPLICABLE TO BANKS AND FINANCIAL INSTITUTIONS

Updated 2011

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អារម្ភកថា

វិស័យធនាគារ បានដើរតួនាទីយ៉ាងសំខាន់ក្នុងការរួមចំណែកអភិវឌ្ឍសេដ្ឋកិច្ច ព្រោះវិស័យនេះ អាចគ្បែងគរធនធានហិរញ្ញវត្ថុ ដែលទំនេរសម្រាប់បម្រើឱ្យតម្រូវការក្នុងផលិតកម្ម និងអាជីវកម្ម ។ ដើម្បីផ្សារភ្ជាប់ការសន្សំជាមួយការវិនិយោគ និងកំណើនសេដ្ឋកិច្ច ការអភិវឌ្ឍវិស័យធនាគារត្រូវតែដើរទន្ទឹមគ្នាជាមួយការអភិវឌ្ឍវិស័យឯកជន សម្រាប់ទ្រទ្រង់ដល់ការបង្កើនល្បឿនកំណើនសេដ្ឋកិច្ចដែលត្រូវបានចាត់ទុកថា ជាមធ្យោបាយចម្បងសម្រាប់ កាត់បន្ថយភាពក្រីក្ររបស់ប្រជាជន ។

ចាប់តាំងពីទស្សវត្សឆ្នាំ១៩៩០ ក្របខ័ណ្ឌបទប្បញ្ញត្តិចំពោះវិស័យធនាគារត្រូវបានបង្កើតឡើងជាបន្តបន្ទាប់ ។ ក្នុងរយៈពេលនោះ ប្រកាស បទបញ្ជា សារាចរណែនាំផ្សេងៗត្រូវបានដាក់ឱ្យគ្រឹះស្ថានធនាគារអនុវត្ត ដើម្បីសម្រួលឱ្យដំណើរការវិស័យនេះ ប្រព្រឹត្តទៅដោយរលូន ។ ជាលទ្ធផល ក្នុងរយៈពេលប៉ុន្មានឆ្នាំចុងក្រោយនេះ វិស័យធនាគារ និងហិរញ្ញវត្ថុមានការរីកចំរើនយ៉ាងឆាប់រហ័ស ដែលឆ្លុះបញ្ចាំងតាមរយៈអន្តរការិយកម្មធនាគារ ដែលបានគ្បែងគរធនធានហិរញ្ញវត្ថុសម្រាប់គាំទ្រវិស័យផលិតកម្ម និងសេវាកម្ម ។ នេះបញ្ជាក់ឱ្យឃើញថា ជំនឿទុកចិត្តរបស់សាធារណជនចំពោះវិស័យធនាគារនៅកម្ពុជា មានការកើនឡើងជាបន្តបន្ទាប់ ។

ធនាគារជាតិនៃកម្ពុជា យល់ឃើញថា ការរៀបចំចងក្រងឯកសារច្បាប់នេះឡើង មានសារៈសំខាន់ណាស់សំរាប់ធនាគារិក សវនករ និស្សិត និងអ្នកវិនិយោគដែលមានបំណងចង់ស្វែងយល់ពីក្របខ័ណ្ឌច្បាប់ និងបទប្បញ្ញត្តិនៃវិស័យធនាគារនៅកម្ពុជាដែលមានលក្ខណៈប្រមូលផ្តុំ និងគ្រប់ជ្រុងជ្រោយ ។ ស្បៀវភៅកម្រងឯកសារច្បាប់សំរាប់គ្រប់គ្រងវិស័យធនាគារនៅកម្ពុជា ត្រូវបានប្រមូលផ្តុំទៅតាមផ្នែកនូវរាល់ច្បាប់ និងបទប្បញ្ញត្តិពាក់ព័ន្ធ ដែលបានដាក់ឱ្យគ្រឹះស្ថានធនាគារនិងហិរញ្ញវត្ថុអនុវត្តកន្លងមក ហើយត្រូវបានធ្វើបច្ចុប្បន្នកម្មជាបន្តបន្ទាប់ដើម្បីឱ្យស្របទៅតាមការវិវត្តរីកចម្រើននៃសេដ្ឋកិច្ចជាតិ ។

ខ្ញុំសង្ឃឹម និងជឿជាក់ថា ស្បៀវភៅកម្រងឯកសារច្បាប់សំរាប់គ្រប់គ្រងវិស័យធនាគារនៅកម្ពុជា ពិតជាផ្តល់នូវផលប្រយោជន៍ជាអតិបរមា ចំពោះធនាគារិក សវនករ និស្សិត និងវិនិយោគិន ក្នុងការសិក្សាស្រាវជ្រាវ និងស្វែងយល់ពីក្របខ័ណ្ឌច្បាប់ និងបទប្បញ្ញត្តិនៃវិស័យធនាគារនិងហិរញ្ញវត្ថុនៅកម្ពុជា ។

ខ្ញុំសូមថ្លែងអំណរគុណ ចំពោះក្រុមការងារដែលបានខិតខំរៀបចំចងក្រងឯកសារនេះឡើង ។

ភ្នំពេញ

ជា ចាន់តូ

Foreword

The banking sector in Cambodia is playing an important role in contributing to economic development through the mobilization and allocation of previously unproductive financial resources to fulfill the financial needs of the manufactureing and services sectors.

Matching savings to investment and economic growth, the banking sector must develop in line with private sector development in order to sustain the economic growth, pace, a measure regarded by Royal Government of Cambodia as essential for poverty reduction.

Since the 1990s, a legal framwork for the banking sector has been established. At that time Prakas, directives, cuculars and regulations were issued to facilitate the smooth functioning of this sector. As a result, in recent years the banking and financial sectors have developed rapidly, reflected through the banking intermediation of mobilizing financial resources to support the manufacturing and services sectors. This is clear evidence of the subsequent increase of public confidence in Cambodia's banking and financial sectors.

We at the National Bank of Cambodia understand that a compilation of these regulations is essential for bankers, auditors, students and investors who are willing to get a better understanding of the comprehensive and centralized legal framework and regulations for Cambodia's banking sector. As for the evolution of the banking sector, all laws and regulations have been issued and updated by the National Bank of Cambodia into the textbook of Laws and Regulations Applicable to banks and Financial Institutions.

I hope and believe that the Laws and Regulations Applicable to banks and Financial Institutions textbook truly provides considerable benefits to bankers, auditors, students, and investors in their research studies aimed at a better understanding of legal framework and regulations of the banking sector in Cambodia

I would like to thank the working team for their hard work in compiling this book.

The Governor

Chea Chanto

ACKNOWLEDGEMENTS

The book “Laws and Regulations Applicable to Banks and Financial Institutions” was prepared at the initiative of Mr. Michel DABADIE, former General Advisor of the National Bank of Cambodia with support from Mrs. CHEA Serey, Deputy Director General of the General Directorate of Supervision of the National Bank of Cambodia.

We would like to express our profound thanks to Mrs. CHEA Serey, Deputy Director General of the General Directorate of Supervision for continuous guidance to the working group of the Legal Department, and our thanks go also to the staff members of all departments under the National Bank of Cambodia for their good cooperation in compiling this book.

Phnom Penh, December 31, 2011

Legal Department

សេចក្តីថ្លែងអំណរគុណ

សៀវភៅ "កម្រងច្បាប់និងបទប្បញ្ញត្តិអនុវត្តចំពោះគ្រឹះស្ថានធនាគារនិងហិរញ្ញវត្ថុ" ត្រូវបានរៀបចំឡើងតាមគំនិតផ្តួចផ្តើមរបស់លោក Michel DABADIE អតីតជំនាញការប្រចាំនៅធនាគារជាតិនៃកម្ពុជា ដោយមានការគាំទ្រដោយ លោកស្រី **ជា សិរី** អគ្គនាយករងនៃអគ្គនាយកដ្ឋានត្រួតពិនិត្យ ធនាគារជាតិនៃកម្ពុជា។

យើងខ្ញុំ សូមថ្លែងអំណរគុណយ៉ាងជ្រាលជ្រៅចំពោះ លោកស្រី **ជា សិរី** អគ្គនាយករងនៃអគ្គនាយកដ្ឋានត្រួតពិនិត្យ ដែលបានផ្តល់ការណែនាំជាប្រចាំដល់ក្រុមការងារនៃនាយកដ្ឋាននីតិកម្ម និងសូមថ្លែងអំណរគុណចំពោះមន្ត្រីបុគ្គលិកនៃនាយកដ្ឋាន-អង្គភាពក្រោមឱវាទធនាគារជាតិនៃកម្ពុជា ដែលបានផ្តល់កិច្ចសហការយ៉ាងល្អក្នុងការរៀបចំសៀវភៅនេះសម្រេចបានជាស្ថាពរ។

រាជធានីភ្នំពេញ, ថ្ងៃទី៣១ ខែធ្នូ ឆ្នាំ២០១១

នាយកដ្ឋាននីតិកម្ម

NOTICE

The attached text strive for presenting, the updated outstanding version of all laws and regulations applicable to banks and financial Institutions as of 2011. In case of any discrepancy, the version in the National Gazette shall take precedence over the version published in this book.

All translations in this book are unofficial.

If you identify a mistake in this book, the NBC would be greateful to you if you could inform these contact persons:

Legal Department: banlim@nbc.org.kh

កំណត់សំគាល់

អត្ថបទដែលភ្ជាប់មកនេះមានគោលបំណងបង្ហាញពីបច្ចុប្បន្នកម្មកម្រងខ្លឹមសារនៃច្បាប់ និងបទប្បញ្ញត្តិដែលនៅជាធរមានទាំងឡាយទាក់ទងនឹងគ្រឹះស្ថានធនាគារនិងហិរញ្ញវត្ថុ គិតត្រឹមឆ្នាំ២០១១។ ក្នុងករណីមានភាពមិនស្របគ្នាណាមួយកើតឡើង ខ្លឹមសារនៅក្នុងអត្ថបទដើមមាន អាទិភាពលើខ្លឹមសារ ដែលមាននៅក្នុងសៀវភៅនេះ ។

រាល់ការបកប្រែនៅក្នុងសៀវភៅនេះមិនមានលក្ខណៈជាផ្លូវការទេ។

ប្រសិនបើលោកអ្នករកឃើញកំហុសណាមួយនៅក្នុងសៀវភៅនេះ សូមលោក-អ្នកទំនាក់ទំនងមកយើងខ្ញុំ តាមរយៈ៖

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LAW ON THE ORGANIZATION AND CONDUCT

OF THE NATIONAL BANK OF CAMBODIA

26 January 1996

Title I. General Provisions

Article 1. The National Bank of Cambodia is the "Central Bank" which is an autonomous public entity of a commercial and industrial nature.

Article 2. The Central Bank is a legal entity with full jurisdiction and shall have the capacity to:

1. Lend, borrow and enter into all other contracts
2. Institute legal proceedings and be subject to such proceedings: and
3. For the purpose of its business, acquire, hold, and dispose of property whether movable or immovable.

Article 3. The principal mission of the Central Bank is to determine and direct the monetary policy aimed at maintaining price stability in order to facilitate economic development within the framework of the Kingdom's economic and financial policy.

Article 4. In order to accomplish its mission and to implement this law The Central Bank is empowered to issue decisions, regulations, circulars, and other instructions.

Article 5. The Central Bank shall publish on a regular basis its monetary policy objectives (money-credit-exchange-interest rates) and statistics, including with respect to the money supply, prices, credit, the balance of payments and foreign exchange.

Article 6. The head office of the Central Bank shall be in Phnom Penh. The Central Bank may establish branches and agencies in the Kingdom and representative offices in other countries after obtaining the approval of its Board of Directors.

Title II. General Functions and Duties

Article 7. The Central Bank shall have the following functions and duties:

1. To determine monetary policy objectives, in consultation with the Royal Government and consideration of the framework of the economic and financial policy of the Kingdom;
2. To formulate, implement and monitor monetary and exchange policies aimed at the determined objectives;
3. To conduct regular economic and monetary analysis, make public the results, and submit proposals and measures to the Royal Government;
4. To license, delicense, regulate and supervise banks and financial institutions and other relevant establishments such as auditors and liquidators;

5. To oversee payments systems in the Kingdom, and to enhance interbank payments;

6. To act as the sole issuer of national currency of the Kingdom ;

7. To undertake and perform, in the name of the Kingdom, transactions resulting from the participation of the Kingdom in public international institutions in the banking, credit, and monetary spheres;

8. To establish the balance of payments;

9. To participate in the management of external debt and claims;

10. To participate in the formation and supervision of the money and financial markets;

11. To license, delicense, regulate and supervise all those operating in the securities and foreign exchange markets, the market for precious stones and precious metals;

12. To set interest rates.

Article 8. The Central Bank may open accounts on its books on behalf of:

- State agencies and instrumentalities of the central government notably the National Treasury;

- Banks and financial institutions licensed by the Central Bank;

- Foreign central banks, and public international financial institutions.

The Central Bank may not open accounts for enterprises, including those owned by the State.

Title III. Autonomy of the Central Bank

Article 9. To accomplish its mission the Central Bank shall be permanently empowered and shall have operating autonomy and shall submit reports of the implementation and results of its mission to the National Assembly and the Royal Government.

The Governor of the Central Bank may address meetings of the Council of Ministers at the invitation of the Royal Government. The Minister or the Secretary of State of the Ministry of Economy and Finance may address meetings of the Board of Directors of the Central Bank at the invitation of the Board.

The Governor or members of the Board shall appear before the National Assembly or standing committee thereof to explain the policies of the Central Bank or to comment on proposed legislation, at the request of the National Assembly.

Article 10. At the end of each half year period the Central Bank shall deliver to the National Assembly and to the Government:

- An assessment in general terms of the economic and financial condition of the Kingdom and a description of, the monetary and exchange policies that the

Central Bank proposes to follow during the next semester and for such longer period of time as the Central Bank may decide;

- A review and assessment of the implementation of monetary and exchange policy during the period to which the last preceding semester statement relates.

Article 11. In addition to the above reports the Central Bank shall submit reports to the National Assembly and to the Royal Government on request.

Title IV. Management of the Central Bank

Article 12.

1. The managing organ of the Central Bank is the Board of Directors (herein after referred to as the Board). The Governor shall be Chairman of the Board. The Board shall consist of 7 members, including the Governor, the Deputy Governor and 5 other members, one being a representative of the head of the Royal Government, one a representative of the Ministry of Economy and Finance, one a member from the real economy, one an academic and one the representative of the National Bank staff.

The Governor and the Deputy Governor shall not be a public servant, a person serving as adviser of a public entity, or a member of the Royal Government, or a member of the National Assembly during their term of office. The above restriction also applies to all other members except the representatives of the head of the Royal Government, the Ministry of Economy and Finance, and the academic who may maintain their civil service status.

2. The Board shall be responsible for :

- establishing the policies for the operation of the Central Bank;
- issuing decisions, regulations, circulars and other directives to govern the business of the Central Bank;
- establishing internal rules and regulations;
- establishing staff statute;
- establishing departments of the Central Bank;
- establishing an audit committee;
- establishing a staff training committee.

3. The Governor shall serve as the chief executive officer of the Central Bank and be Responsible to the Board for the execution of its policy. The Governor shall be responsible for the conduct of the business of the Central Bank and have authority to act in all matters that are not, by this Law or other relevant regulations specifically reserved to the Board.

The Governor shall appoint the officers and staff of the Central Bank, and make proposals to the Board on the salaries and benefits for senior staff.

4. The Deputy Governor shall exercise such powers and carry out such duties as the Governor may determine. In the absence of the Governor, Deputy Governor shall act as Governor.

Article 13. The Governor and the Deputy Governor shall be appointed, replaced and dismissed by a royal decree on the recommendation of the Royal Government.

All other members of the Board shall be appointed, replaced and dismissed by sub decree. These members shall be selected from a list prepared by the Governor with the names of three candidates for each post.

Article 14.

1. The members of the Board shall be persons of recognized experience or standing in economic and financial matters and shall be no more than sixty five years of age. They shall be appointed for a period of 4 years and shall be eligible for re-appointment for only one further term. Other than for the Governor, Deputy Governor and the National Bank staff representative, two of the board members, chosen by lot, shall serve for 2 years, from the date of appointment of the first board.

Members of the Board and their family members must not be shareholders of any bank and financial institution regulated by the Central Bank.

2. A member of the Board shall cease to hold office if he or she:

a. is convicted of a criminal, administrative offence or a breach of economic or commercial law;

b. is determined by the Board to have violated the prohibitions of Articles 15 and 16 of this Law;

c. is absent for four consecutive meetings, unless due to illness, or in the case of force majeure recognized by the Board;

d. resigns by written notice;

e. is physically or mentally incapacitated from performing his or her duties;

f. is determined to be bankrupt by the courts.

3. Board meetings shall be held not less than once every two months.

4. Board members shall receive an attendance allowance the amount of which shall be fixed by the Board.

5. The Governor and Deputy Governor shall receive base remuneration from the Central Bank in the same amount as a member of the Royal Government.

Article 15.

1. No officer, employee, or member of the Board of the Central Bank shall:

- receive any benefit related to commercial, financial, agricultural, industrial, or other business interest;
- accept directions from these interests in respect of duties to be performed under the law;
- put themselves in a position where their interest conflicts with their duties;
- receive any gift or advantage for themselves or persons with whom they have family, business, or financial connections that diminishes their honesty in their conduct of their duties.

2. Board members shall fully disclose to the Board their significant commercial, financial, agricultural, industrial, or other business interests with which they or members of their immediate family may have, directly or indirectly, at any time, and shall refrain from voting on any matter related thereto. However, they may be qualified to constitute a quorum in accordance with the internal procedures of the Board.

Article 16. Except when under the provision of any law, or when required to do so by any court of law, officers, employees and members of the Board of the Central Bank shall not disclose to any person any material information relating to its confidentially professional affairs which they have acquired in the performance of their duties.

Title V. Capital, Income Allocation, Budget

Article 17.

1. The Central Bank shall have capital in an amount to be determined by sub decree. The amount of capital may be changed when deemed necessary. All the capital shall be subscribed and held exclusively by the Royal Government and shall not be transferable or subject to encumbrance.

2. Whenever the value of the National Bank's assets on its balance sheet fall below the sum of its liabilities the Royal Government shall transfer within sixty days of publication of such balance sheet to the Central Bank, its government securities to remedy the deficiency. The securities shall be negotiable and shall bear interest at the refinancing rate.

Article 18. The net income of the Central Bank for each financial year shall be determined by the Bank after allowing for the expense of operation of that year and after providing for:

1. Risks, depreciations, and amortization of assets;
2. a contribution to a pension fund, the amount of which to be fixed by the Board;
3. a General Reserve equal to 20% (twenty percent) of net profit after deduction of the amounts in 1. and 2. above;
4. the redemption of government securities held by the Central Bank;
5. investment of a collective fund for the Central Bank to be determined by the Board.

Article 19. Any balance of net income shall then be transferred to the National Budget after deduction of:

- 5% (five percent) for the personnel, excluding the Board;
- 0.5% (zero point five percent), for the board members.

Article 20. All proposed expenditure of the Central Bank shall be reported in an annual budget to be approved by the Board of the Central Bank and submitted for information to the Royal Government and the National Assembly.

Title VI. Financial Relations with Public Entities

Article 21.

1. The Central Bank shall be the sole depository, in the national currency, for the National Treasury. The Central Bank shall receive from the National Treasury and disburse on its behalf, moneys and keep account thereof. Any charges to be levied by the Central Bank for these services shall be agreed by both parties.

2. The foreign exchange receipts of the Treasury shall be sold to the Central Bank and the counter value shall be credited to the central account of the National Treasury in national currency at the prevailing exchange rate.

Article 22. The Central Bank shall be the advisor on monetary and financial matters to the Royal Government

It is the duty of the Central Bank to inform and advise the Royal Government concerning any matter which in its opinion is likely to affect the achievement of its objectives.

Article 23.

1. The Central Bank shall assist in the debt management of the Royal government or public entities by conducting securities operations, including advising on the timing of securities issues and promoting the development of money and capital markets.

2. The Central Bank may agree to act as the agent of the Royal Government or public entities for the following transactions:

- marketing of securities issued by the Royal Government or by a public entity, and acting as a registrar and transfer agent therefore;
- payment of principal, interest and other charges, on such securities.

3. The compensation to be paid to the Central Bank for the transactions described in subparagraph (2) shall be as agreed between the Central Bank and the Royal Government or public entity concerned.

Article 24. The central Bank shall not directly or indirectly extend credit to the Royal Government, including by the purchase in a primary issue of securities issued or guaranteed by the government or by public entities, except in accordance with the provisions of this Title.

Article 25. The Central Bank may temporarily extend credit to the National Treasury at the refinancing rate and a maturity not exceeding three months.

1. For each extension of credit, there shall be a credit agreement between the Central Bank and the borrower, which shall specify the amount of the credit, its maturity, and the interest rate.

2. Such extensions of credit shall be certificated by negotiable government securities delivered to the Central Bank.

3. The aggregate amount of the outstanding extensions of credit and holdings of securities described under Articles 24 for each financial year shall not exceed 10% (ten

percent) of the ordinary domestic budgetary revenues, excluding grants and proceeds from the sale of assets, for the previous financial year.

Article 26. The Central Bank may purchase, sell or repurchase government securities maturing within 90 days which have previously been publicly issued, in open market operations, or in discount operations for, or extensions of credit to, financial institutions.

Article 27. The Royal Government shall consult the Central Bank every year before the budget is finalized with a view to establishing the total amount of credit which the Royal Government and public entities may seek to secure from the Central Bank within the limits prescribed by Article 25.

Article 28. The Central Bank shall participate in the management of both domestic and foreign public debt, including the issue of guarantees in favor of creditors.

Title VII. Exchange Arrangements and Policy

Article 29. The Central Bank shall, in consultation with the Royal Government and in consideration of the framework of the economic and financial policy of the Kingdom, determine and implement the Kingdom's exchange arrangements and policy.

Article 30.

1. The Central Bank shall maintain and manage an external reserve consisting of the following:

- monetary gold;
- foreign exchange in the form of bank notes or coins and bank balances held abroad;
- any internationally recognized reserve asset, including:
  - the entitlement to make reserve tranche purchases from the International Monetary Fund;
  - the Kingdom's holdings of special drawing rights (SDR);
- bills of exchange and promissory notes denominated in such foreign currencies payable at any place outside the Kingdom;
- treasury bills issued by foreign governments;
- securities issued or guaranteed by foreign governments or international financial institutions.

2. The Central Bank shall maintain the international reserve at a level adequate for the international transactions of the Kingdom.

3. The Central Bank shall submit a report to the Royal Government when the official external reserve has declined or may decline so as to jeopardize its adequacy, including an account of the causes and recommendations on measures necessary to remedy the situation. The Central Bank shall make further regular reports to the Government until the situation is remedied.

4. The Central Bank shall be the depository of the official external assets of the Kingdom and is authorized to designate such agents as international financial institutions or foreign central banks or foreign commercial banks with which these assets may be held.

Article 31.

1. The Central Bank regularizes the domestic exchange rate and to this effect is authorized to:

- buy, sell or deal in gold coins or bullion or other precious metals and precious stones;
- buy, sell or deal in foreign currencies using for these purposes any of the instruments commonly used by bankers;
- purchase and sell treasury bills and other securities issued or guaranteed by foreign governments and public international financial organizations;
- open and maintain accounts at banks and public international financial organizations abroad;
- pen and maintain accounts and act as agent or correspondent for foreign central banks, foreign governments, foreign government's agencies, and public international financial institutions;
- determine the rate at which it will buy, sell or deal in foreign currencies;
- establish limits on the net foreign exchange position of commercial banks and non-bank foreign exchange dealers;
- issue regulations in relation to foreign exchange transactions and in respect of transactions in gold, other precious metals and precious stones;
- declare the official foreign exchange rates for the riel in relation to other currencies
- participate in international financial agreements on behalf of the government.

2. The Central Bank may not provide to third parties guarantees which have the effect of fixing future rates of foreign exchange and may not authorize or engage in multiple currency practices.

Article 32.

1. Any net gains in any financial year of the Central Bank arising from any change in the book value of the Central Bank's assets or liabilities denominated in currencies or units of account other than domestic currency, shall be credited to a Special Reserve Account.

2. Any net losses in any financial year of the Central Bank arising from any such change shall be set off against any credit balance in the Special Reserve Account and, if such balance is insufficient to cover such losses, the National Treasury shall issue to the Bank negotiable securities at the refinancing rates of interest to the extent of the deficiency.

3. Neither net gains nor net losses referred to in this article shall be included in the annual income statement of the Central Bank.

4. Any credit balance in the Special Reserve Account at the end of each financial year of the Central Bank shall be applied to the redemption of any securities issued under the provisions of paragraph 2 of this article.

5. No adjustments shall be made to the balance of the Special Reserve Account other than in accordance with the provisions of this article.

Title VIII. Relations with Financial Institutions

Article 33. The Central bank shall be exclusively responsible for the licensing, delicensing and supervision of banks and financial institutions subject to the banking law and the supervision of other institutions as stated in Article 7 of this law. To that end, the Central Bank shall be empowered:

1. to issue such decisions, regulations, and other directives and to take such other actions as it shall deem necessary in order to execute its powers and responsibilities under Title II of this law, through proper licensing and delicensing thereof and supervisory standards and enforcement procedures;

2. to appoint at its discretion, its officers or any other qualified person to regularly inspect any bank or financial institution and to examine its books, records, documents and accounts;

3. to require an officer, or employee of a bank or financial institution to furnish to the Central Bank such information as requested for the purpose of supervision and regulation;

4. to take remedial actions or sanction according to the existing laws if there has been an infraction by a bank or financial institution of its officers or employees with respect to:

- the violation of a provision of the existing laws or regulations of the Central Bank;
- the breach of a fiduciary duty; or
- failure to follow monetary policy measures or prudential regulations.

Article 34. The Central Bank may open accounts for and accept deposits from banks and financial institutions doing business in the Kingdom under such terms and conditions, including the payment of interest and the establishment of charges as it may determine.

Article 35.

1. The Central Bank may prescribe, by publication or by written notice to the main office in the Kingdom of each bank or financial institution, the maintenance of required reserves. Such reserves shall be maintained by way of cash holdings or by way of special deposits in current accounts with the Central Bank.

2. The Central Bank shall prescribe the same reserve ratios for similar liabilities. The total amount of reserves which financial institutions are required to hold shall be fixed relative to deposit and other similar liabilities with clients.

Any such prescription of, or increase in the required reserve ratios shall be effective one month after written notice has been given to banks and financial institutions.

The Central Bank may exclude certain classes of financial institutions from maintaining reserves.

3. The Central Bank may impose on any institution which fails to maintain required reserves a charge at the rate of 1/10 (one-tenth) of the latest refinancing rate set by the Central Bank per day on the deficiency. Such charge may be recovered by deduction from any balance of the institution with the Central Bank.

Article 36.

1. The Central Bank shall determine the procedure and purchase or repurchase from, sell to, discount and rediscount for banks and financial institutions:

a. bills of exchange and promissory notes drawn or made for bona fide commercial, industrial or agricultural purposes, bearing two or more good signatures one of which must be that of a commercial bank and maturing within 90 days from the date of their acquisition by Central Bank; however, provided that bills of exchange and promissory notes drawn or made for the purpose of financing seasonal agricultural production or marketing of crops may mature within 210 days from the date of their issuing;

b. any government securities forming part of the public issue and maturing within 90 days from the date of their acquisition;

c. any private negotiable claims on the money market as well as all bankers claims bearing creditworthy signatures and appearing on a list recognized by the Board;

d. the Central Bank's own securities.

2. The Central Bank shall fix and publicly announce its minimum rates for rediscounts, advances, repurchases or loans. It may establish differential rates and ceilings for various classes of such transactions or maturities.

Article 37. The Central Bank may grant to commercial banks advances on their current account which are secured by government securities or government guaranteed securities.

Article 38.

1. Each financial institution shall comply with the written directives that the Central Bank may issue to it, collectively or on an individual basis, concerning its balance sheet accounts, off-balance-sheet commitments, and income and expense statement items; provided, however, that such directives may specify only:

- the minimum capital
- the minimum amount of net worth of a financial institution
- prohibitions, restrictions, or conditions and other notifications.

2. Banks and financial institutions that engage in similar activities and that are in comparable financial condition shall be subject to similar regulations.

Article 39.

1. A bank or financial institution must furnish to the Central Bank such information and data as the Central Bank may require for the discharge of its functions and responsibilities.

2. The Central Bank may publish such information and data in whole or in part in aggregate form for classes of banks and financial institutions determined in accordance with the nature of their business, whilst maintaining business confidentiality.

3. The Central Bank shall be responsible for promoting interbank services such as risk centralization and unpaid loans.

Article 40. In cooperation with commercial banks, The Central Bank may establish a clearing house for the prompt and efficient clearing and settlement of interbank payments.

Title IX. Currency

Article 41. The monetary unit of Cambodia shall be the riel and shall be divided into ten kac and the kac divided into ten sen. The symbol of the riel shall be (៛).

Article 42. The Central Bank shall have the sole right to issue notes and coins denominated in riel, kac and sen.

Article 43.

1. Notes and coins issued by the Central Bank and not withdrawn from circulation shall be legal tender within Cambodia and notes shall be valid for payment of unlimited amount, and coins shall be legal tender for limit amounts to be fixed by the Central Bank.

2. Payment of a sum exceeding a certain amount to be set by the Central Bank may or shall be made by bank entry.

Article 44.

1. The Central Bank shall be responsible for the printing of notes, the minting of coins and related matters, such as the security and movement of unissued notes and coins, and for the custody and destruction, where necessary, of plates, dies and retired notes and coins.

2. The Central Bank shall determine by regulation the various characteristics notably the face value, measures, weights, designs and other features of notes and coins to be printed or minted.

Article 45. With the consent of the Royal Government the Central Bank is authorized to decide to call in and withdraw from circulation, any notes or coins that it has issued on payment of the face value thereof by issuing in exchange therefor other notes or coins; the decision shall be issued in the form of a regulation of the Central Bank and shall specify the period during which the notes and coins must be presented for exchange and the offices of

the Central Bank where they are to be so presented.

Article 46. At the end of the exchange period referred to in Article 45:

1. notes and coins called for in exchange shall, cease to be legal tender;

2. the aggregate amount of notes or coins called in but not presented for exchange shall be deducted from the amount of currency in circulation on the books of the Central Bank and shall be treated as revenue of the Central Bank.

Article 47. Upon surrender by any person to the Central Bank of any notes or coins which it has issued, the Central Bank shall exchange on demand and without charge such notes or coins for other notes and coins of equivalent value.

Article 48. Any reproduction of notes, coins, checks, securities, or payment cards, whether denominated in riel kac or sen or in a foreign currency, and the creation of any objects that by their design imitate notes, coins, checks, securities or payment cards is forbidden without prior written authorization from the Central Bank.

Article 49. The Central Bank shall directly administer the currency reserve inventory, make issue plans, and ensure the regular supply of notes and coins, in order to meet the Kingdom's currency requirements in quantity and quality.

Article 50. The Central Bank shall withdraw unfit currency which shall be destroyed, and replaced with notes and coins.

Article 51. The Central Bank may decline to exchange notes or coins if their designs are illegible, misshaped or perforated, or if more than 30% (thirty percent) of their surface has been lost. Such currency shall be withdrawn and destroyed without indemnity to the owner, except that, in special cases, the Central Bank may determine whole or partial compensation.

Article 52. Counterfeit notes included in deposits or presented for exchange shall be seized without compensation and reported to the competent authorities.

Article 53. The Central Bank shall not be required to provide any compensation for notes and coins that were lost or destroyed; it may confiscate without compensation any notes that have been altered in their external appearance, in particular notes that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied, or which have been defaced in any other way.

Article 54. The aggregate amount of circulating notes and coins shall be recorded in the Central Bank accounts as liabilities, and will not include notes and coins in the currency reserve inventory.

Title X. Accounts and Audit

Article 55. The financial year of the Central Bank shall commence on January 1 and end on December 31 of the same year.

Article 56. The Central Bank shall:

1. keep books of account and other books and records in which shall be recorded all its financial transactions, which reflect accurately its financial condition in accordance with generally accepted accounting principles applicable to central banks;

2. prepare and publish a monthly summary statement of its activities;

3. within six months after the close of each financial year, submit to the Government and the National Assembly a copy of its annual accounts together with a report on its operations and on monetary and economic conditions during the year.

Article 57.

The financial records of the Central Bank shall be verified by a special committee appointed by the Government.

Title XI. Miscellaneous Provisions

Article 58. The assets, property, income operations and transactions of the Central Bank shall be exempt from all duties and taxes.

Article 59. The Central Bank shall not make equity investments in banks or financial institutions or in industrial or commercial enterprises; however, provided that the Central Bank may make equity investments in an aggregate amount not exceeding 5% (five per cent) of its capital and reserves in enterprises whose activities are relevant to the Central Bank function such as appraising, collateral control, data processing and data transmission, financial printing, clearing of payments, courier services, or liquidating property.

Article 60. The Central Bank shall not acquire by purchase, lease or otherwise any real right in or to immovable property except insofar as it is necessary for the conduct of its business and requirements incidental to the performance of its functions and to carry out its social responsibilities towards its staff.

Nothing in this section shall prevent the acquisition by the Central Bank in the course of satisfaction of debts due to it of any interests referred to in Article 59 or in this article.

Article 61. All decisions, regulations, circulars, and other directives issued by the Central Bank that are intended for general application to banks and financial institutions shall be published in the Journal Official of the Kingdom and shall take effect on the date of such publication or on such later date as such decisions, regulations, circulars and other directives shall specify.

Article 62. For the purpose of implementing the provisions of this law, the Central Bank may institute civil actions ancillary to criminal actions at any stage of the proceedings.

Article 63. The limitation on credit in subparagraph 3 of Article 25 of this law shall apply to credit extended after the effective date of this law.

Title XII. Penalties

Article 64. Any person who does not accept payment in currency that is legal tender in the Kingdom shall be liable for a fine of 100 times the amount of the payment.

Article 65. Any person, who counterfeits coins or bank notes which are legal tender in the Kingdom, or which are legal tender in a foreign State, shall be liable to imprisonment from 20 years to life.

Such materials or tools shall be confiscated and retained as state property or destroyed.

Article 66. Any person, who knowingly conveys, distributes or retains for distribution any counterfeit coins or bank notes shall be liable to imprisonment from 10 to 20 years.

Article 67. Any person who uses or retains, without an authorization granted by the Central Bank, materials or tools which are ordinarily used for minting coins or printing bank notes shall be liable to imprisonment from 5 to 10 years. Such materials or tools shall be confiscated and retained as state property or destroyed.

Article 68. Any person who receives counterfeit bank notes or coins, believing they are legal tender, and who distributes such notes and coins after learning they are counterfeit, shall be liable for a fine of 100 times the amount involved.

Article 69. For the purposes of the administration of this law and in the proper performance of its functions under this law, the Central Bank may call for such information as it may require from any person, including from any bank or financial institution and its affiliates.

Any person who fails to supply any information called for by the Central Bank under this article or who knowingly supplies any false or misleading information shall be guilty of an offense and liable for a fine from **1,000,000.00᛫ (one million riels) to 10,000,000.00᛫ (ten million riels) and/or imprisonment from 1 to 5 years.**

Article 70. Any person who manages a bank or financial institution, or engages in operations of banking nature including credit operations, brokering or dealing in foreign exchange, or the receipt of moneys or effecting means of payment, share dealing, trading in gold, precious metals, precious stones, without being granted a required authorization by the Central Bank therefore, shall cease operations upon an injunction of the Central Bank.

Otherwise such person shall be liable for a fine from **1,000,000.00᛫ (one million) to 10,000,000.00᛫ (ten million riels) and/or to imprisonment from 1 to 5 years.**

Article 71. Any person who violates Article 15.1 and Article 16 of this Law shall be liable to a fine from **1,000,000.00᛫ (one million) to 10,000,000.00᛫ (ten million riels) and/or to imprisonment from 1 to 5 years.**

Title XIII Concluding Provisions

Article72. All provisions contrary to this law are hereby repealed.

Signature: **NORODOM SINHANOUK**

LAW ON AMENDMENT ARTICLE 14 AND ARTICLE 57

OF THE LAW ON THE ORGANIZATION AND FUNCTION OF

THE NATIONAL BANK OF CAMBODIA

29 December 2006

Article 1.

Law on Amendment Article 14 and 57 of the Law on the Organization and Function of the National Bank of Cambodia, promulgating by Royal Kram N^{o} NS/RKM/0196/27 of January 26, 1996 as amended was follow:

Article 14- New

1. The member of the Board shall be persons of recognized experience or standing in economic and financial matters and shall be no more than sixty five years of age. They shall be appointed for a period of 4 years and shall be eligible for re-appointment. Other than for the Governor, Deputy Governor and the National Bank staff representative, two of the board members, chosen by lot, shall serve for 2 years, from the date of appointment of the first board.

   Member of the board and their family members must not be shareholders of any bank and financial institution regulated by the Central Bank.

2. A member of the Board shall cease to hold office if he or she:
   (a) is convicted of a criminal, administrative offense or a breach of economic or commercial law;
   (b) is determined by the Board to have violated the prohibition of Articles 15 and 16 of this law;
   (c) is absent for four consecutive meetings, unless due to illness, or in the case of force majeure recognized by the Board;
   (d) resigns by written notice;
   (e) is physically or mentally incapacitated from performing his or her duties;
   (f) is determined to be bankrupt by the courts.
3. Board meetings shall be held not less than once every two months
4. Board members shall receive an attendance allowance the amount of which shall be fixed by the board.
5. The Governor and Deputy Governor shall receive base remuneration from the Central Bank in the same amount as member of the Royal Government.

Article 57- New

The financial records of the Central Bank shall be verified by the Board of the National Bank of Cambodia and the National Audit Authority.

Article 2.

This text of law shall be declared immediately.

Done in Phnom Penh, 29 December 2006

For His Majesty

Acting Head of State

Signed and Sealed: **CHEA SIM**

LAW ON FOREIGN EXCHANGE

22 August 1997

Title I: General Provisions

Article 1. Any foreign exchange operations and, in general, any operations carried out between residents and nonresidents are subject to the present law when they related to:

- payments for commercial transactions,
- transfers or
- capital flows, including investments.

Article 2. For the enforcement of this law, the following shall be considered as foreign exchange:

- payment instruments or securities denominated in foreign currency,
- raw gold, raw precious metals, uncut precious stones.

Article 3. The following shall be considered as residents:

- individuals, regardless of their nationality, who have had their main professional activity or their main residence in the Kingdom of Cambodia for a period of and over one hundred and eighty two days (182 days), with the exception of foreign civil servants on diplomatic or similar assignments,
- legal entities incorporated under local law and branches of legal entities incorporated under foreign law that are established in the Kingdom of Cambodia,
- any Cambodian civil servants on foreign assignments, regardless of the length of their stay.

Article 4. The following shall be considered as nonresidents:

- individuals of Cambodian nationality, who have had their main professional activity or their main residence abroad for a period of and over one hundred and eighty two days (182 days),
- foreign individuals, who have had their main professional activity or their main residence in the Kingdom of Cambodia for less than one hundred and eighty two days (182 days),
- legal entities, incorporated under local law, establish abroad and overseas branches of legal entities incorporated under local law,
- foreign civil servants on diplomatic or similar assignments in the Kingdom of Cambodia.

Title II: Bank Intermediation

Article 5.

1. There shall be no restrictions on foreign exchange operations through book entry including purchases and sales of foreign exchange on the foreign exchange market, transfers, all kinds of international settlements, and capital flows in foreign or domestic currency, between Cambodia and the rest of the world or between residents and nonresidents. However, such operations shall be undertaken solely through authorized intermediaries.

2. Only banks permanently established in the Kingdom of Cambodia shall be considered as authorized intermediaries.

3. Authorized intermediaries shall be required, under conditions established by regulations, to provide the Central Bank on a regular basis with periodic statements, by type of transfers or settlements and of outflows and inflows of capital carried out between the Kingdom of Cambodia and the rest of the world, according to the time set by the Central Bank.

4. Any export of cash in foreign currency by authorized intermediaries shall be subject to prior declaration to the Central Bank.

5. The manual money changers who have fixed or moving counter may exercise their exchange transactions with the prior authorization of the Central Bank.

Article 6. In case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, imposing certain temporary restrictions on the activity of authorized intermediaries, particularly on the transactions stated in Article 5 of the present law, or their foreign exchange position or any loans in domestic currency extended to nonresidents. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval.

Article 7. Residents may hold foreign currencies freely, both in form and location of such holdings inside the country. Nevertheless, in case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, suspending temporally the enforcement of this provisions. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval.

Title III: Current Operations

Article 8. Exporters or importers of goods and services shall make payments for their commercial transactions with the rest of the world through authorized intermediaries.

Article 9. Authorized intermediaries may be required by the Central Bank to submit proof of payment for imports by banker’s order in support of their applications to purchase foreign exchange, and later be also required to provide various administrative evidence confirming the entry of goods into the country.

Article 10. Since the collection is made, the proceeds from export of goods or services shall be credited to the exporter’s account with the domiciled bank in accordance with Article 8 of the present law.

Article 11. Counterpart funds in domestic currency from the local marketing of products imported on the basis of external borrowings or grants must be credited to the National Treasury's account with the Central Bank, in accordance with procedures to be defined by mutual agreement between the National Treasury and the Central Bank.

Article 12. Residents may hold foreign currencies freely, both in form and location of such holdings inside the country. Nevertheless, in case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, suspending temporally the enforcement of this provisions. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval. The import or export of raw gold, uncut precious stones or other raw precious metals shall be free, in accordance with point 1 of Article 5 of the present law, however, shall be subject to prior declaration to the Central Bank if the value of each transaction equals or exceeds ten thousand US dollars (USD 10,000).

Article 13. The export or import of the means of payment equaling or exceeding ten thousand US dollars (USD 10,000) in foreign exchange or the equivalent amount in domestic currency by a traveler shall be declared to the customs officers at border crossings of the Kingdom of Cambodia.

The export of cash in excess of the limit set by the regulation of the Central Bank shall be subject to prior examination by the Central Bank.

The Customs House shall transmit a copy of each such declaration to the Central Bank on a monthly basis.

Title IV: Investments - Capital Flows

Article 14. The capital flows related to foreign investment in the Kingdom of Cambodia shall be governed by the Investment Law of the Kingdom of Cambodia.

Article 15. In so for as liquidation of foreign investment takes place in accordance with the provisions of the Investment Law of the Kingdom of Cambodia, proceeds from said liquidation may be transferred freely.

Article 16. Investment made abroad by resident for an amount equaling or exceeding one hundred thousand US dollars (USD 100,000) shall be subject to prior declaration to the Central Bank.

Article 17. Transfers relating to investment or liquidation of investment shall be made through authorized intermediaries as stated in Article 5 of the present law.

Subsequently, the authorized intermediaries shall report to the Central Bank the amount of each transfer equaling or exceeding one hundred thousand US dollars (USD 100,000).

Title V: Other Capital Flows

Article 18. Loans and borrowings, including trade credits may be freely contracted between residents and nonresidents, provided that the loans disbursements and repayments thereof are made through authorized intermediary.

Article 19. The capital flows resulted from those operations (settlements of import and export of goods or services, transfers, investment, loans and borrowings) shall include in the bank periodic statements in accordance with the provisions as stated in point 3 of Article 5 of the present law. Such capital flows shall be classified by category of each operation and the professional secrecy shall be respected.

Title VI: Penalties

Article 20. Authorized intermediaries shall be responsible, with caution, for ensuring compliance with the provisions set forth in the present law or in regulations of the Central Bank, concerning the operations undertaken by themselves or placed under their control.

Authorized intermediary who fails to compliance with the provisions of the above paragraph shall be punished in accordance with the existing law.

Article 21. Any person who violates point 3 or point 4 or point 5 of Article 5 or violates Article 17 of the present law shall be liable for imprisonment from one year to five years and for a fine from one million riel (1 .000.000) to ten million riels (10.000.000), or any one of these two punishments.

Article 22. Any person who violates Article 11 or paragraph 1 of Article 13 of the present law shall be liable for a fine of ten per cent (10%) of the amount involved.

Article 23. Any person who violates Article 12 or Article 16 of the present law shall be liable for a fine of twenty per cent (20%) of the amount involved.

Article 24. Any person who violates paragraph 2 of Article 13 of the present law shall be liable for a fine from one million riels (1.000.000) to ten million riels (10.000.000). Materials involved shall be confiscated and retained as state property.

Article 25. Any person who violates point 1 of Article 5 or Article 8 or Article 18 of the present law shall be liable for a fine of fifty per cent (50%) of the amount involved.

Title VII: Concluding Provisions

Article 26. All provisions contrary to this law are hereby repealed.

In the name and on behalf of the King

Acting Chief of State

CHEA SIM

LAW ON BANKING AND FINANCIAL INSTITUTIONS

18 November 1999

CHAPTER I: Banking and Financial Intermediation

Article 1. Banks are legal entities licensed to carry out banking operations as their regular business.

Article 2. Banking operations include:

1. credit operations for valuable consideration, including leasing, guarantees and commitments under signature;

2. the collection of non-earmarked deposits from the public;

3. the provision of means of payment to customers and the processing of said means of payment in national currency or foreign exchange.

Any entity carrying out even one of these three types of activities shall be considered de facto to be engaged in banking.

An entity carrying out only one of these three basic activities, or only one component of each of these three basic activities, shall be known as a **"specialized bank".**

Article 3. Banks may also, for their customers or on their own behalf, perform or carry out:

1. all the financial operations referred to in Article 4 below, except insurance services which are the subject of a specific legislation;

2. foreign exchange operations;

3. money market intermediation, and all operations in negotiable claims on said market;

4. transactions in derivatives;

5. spot or forward dealing in precious metals, raw materials and commodities; and

6. other services related to their core activities, subject to the agreement of the supervisory authority.

Article 4. Banks as defined above may, on their own behalf and for their customers, either directly or indirectly by participating in one or more specialized institutions, carry out securities transactions which constitute financial intermediation, such as:

1. taking deposits for the purpose of subscribing or purchasing securities, pursuant to instructions received from individual customers or from open-end investment companies,

2. subscribing in and trading securities,

3. custody of securities,

4. individual or collective management of securities,

5. underwriting of securities upon their issuance,

6. financial engineering,

7. trading in derivatives, and

8. all manner of securities transactions on their own behalf, in their capacity as commercial companies and in compliance with the laws and regulations in force.

Article 5. Other specialized financial institutions may also carry out the same securities transactions for their customers.

Article6. The National Bank of Cambodia has the power to license and supervise the specialized financial institutions in accordance with the provisions of Article 7, Paragraphs 4 and 11, and Article 33 of Law NS/RKM/0196/27 of January 26, 1996 on the Organization and Functioning of the National Bank of Cambodia.

However, securities transactions, whether carried out by the banks and by the specialized financial institutions, shall also be subject to the supervision of a special Commission, which shall ensure that savings invested in securities are protected through compliance with securities issuance conditions and with securities disclosure requirements.

The composition and functioning of this Commission shall be determined by the laws and regulations governing the financial market.

Article 7. Owing to the risks that may result from a combination of securities activities within banks or within specialized financial institutions, such as the receipt of earmarked deposits and the custody and the management of securities portfolios, the supervisory authorities of the banking system and of the financial system, acting in concert either at the time of initial licensing or by regulation, shall establish rules for regulating combination of such securities activities.

Article 8. The operations related to the banking business referred to in Article 3 Paragraphs 2, 3, 4 and 5 of this law, and carried out for customers by entities other than banks, shall comply with the rules established by the supervisory authority.

CHAPTER II: Scope

Article 9.

1. The banking and financial institutions defined in Chapter I, and hereinafter referred to as covered entities, shall be subject to the provisions of this law.

2. No person other than a covered entity may carry out banking operations on a regular basis.

3. No person other than a covered entity may make use of a business name, corporate name, advertising or, in general, any expression implying that it is an institution authorized to carry out an activity subject to authorisation in accordance with the provisions of this law.

Article 10. Covered entities shall comply either with the provisions of ordinary commercial law or with the provisions of the special legislation applicable to noncommercial companies, as well as with the provisions of this law.

In case of conflict, this law shall prevail.

CHAPTER III: Legal Form of Covered Entities

Article 11. A covered entity shall be incorporated either as a public company under commercial law or as a cooperative or a mutual noncommercial society subject to special statute.

Cooperatives or mutual societies shall belong to a common federative body called a "central body".

Central bodies shall be responsible for ensuring cohesion among the entities affiliated with their network as well as the smooth functioning thereof. To this end, they shall take all necessary measures, in particular to safeguard the liquidity and solvency of each of these institutions and of the network as a whole.

The central bodies themselves are considered as covered entities.

Article 12. A covered entity may be locally incorporated in Cambodia or be a branch of a foreign bank.

Article 13. With prior approval of the supervisory authority, a foreign bank may open an information, liaison or representative office in the Kingdom of Cambodia, which office shall not be entitled to carry out banking operations or financial intermediation and canvassing operations.

Such establishments may be locally incorporated or be a simple entity, a delegate person, or an office, and shall be so entered in the Trade Registry.

Such offices may use the business name of the foreign bank they represent.

An authorization is given for a period of two years, which may be renewed once only

CHAPTER IV: Licensing of Covered Entities

Article 14. Before starting business, covered entities must obtain a license from the supervisory authority.

Before issuing a license, the supervisory authority shall ensure:

1. the qualifications of the shareholders and the accuracy of their reported financial position
2. the ability of the principal shareholders to fulfill, jointly and severally, their obligation to strengthen the bank's own funds if required to do so in accordance with the provisions of Article 27 of this law;
3. the adequacy of human, technical, and financial resources for the planned activities.

The supervisory authority shall be aware of the reciprocity offered by other countries when the shareholders of a locally incorporated bank or the head offices of branches of foreign banks are from said countries.

Article 15. The supervisory authority shall reach a decision within six months of receiving the application together with all relevant documents. Applicants shall be notified of any refusal of authorization. The supervisory authority shall maintain a

current list of licensed institutions, which shall be published in the Bulletin of the National Bank of Cambodia and in the Official Gazette of the Kingdom of Cambodia.

CHAPTER V: Minimum Capital – Solvency

Article 16.

1. Before obtaining a license, a covered entity that is locally incorporated as a company or a noncommercial entity, whatever its legal form, must have fully paid-up initial capital at least equal to a sum fixed by the supervisory authority.

2. Before obtaining a license, a branch of a foreign bank must have a fully paid-up capital endowment at least equal to the minimum capital of a covered entity locally incorporated as a company.

3. The minimum capital shall be fixed by a regulation issued by the National Bank of Cambodia. A portion of the minimum capital, equal to a percentage prescribed by a regulation issued by the National Bank of Cambodia, shall be permanently deposited with the National Bank of Cambodia as a guarantee deposit.

The minimum capital of commercial banks shall amount **at least to riel 50 billion.** Said amount has been determined on the basis of SDR = riel 5,616.

The guarantee deposit maintained with the National Bank of Cambodia shall amount at least to five percent of the minimum capital.

4. A covered entity that is either locally incorporated or operating as a branch of a foreign bank, must at all times be able to prove that its assets minus related potential losses and intangibles exceed its liabilities to third parties by an amount at least equal to the minimum capital.

Article 17. Covered entities must also observe a solvency ratio, the level of which shall be fixed by the supervisory authority in compliance with international standards. The ratio shall be calculated as a proportion of the covered entity's net worth in relation to its risks.

CHAPTER VI: Capacity of Directors and Managers

Article 18. No one may be member of a board of directors or supervisory board of a licensed entity, or, either directly or through an intermediary, direct, manage or run a licensed entity in any capacity, or be authorised to sign on behalf of such an institution if he :

1. has been convicted of :
   - a crime,
   - theft, fraud or breach of trust,
   - misappropriation when acting as a public depository,
   - extortion of funds or securities, criminal bankruptcy, injury to the credit of the State, or breach of exchange control regulations,
   - usury,
   - money laundering,

– forgery and / or the use of forgeries,

2. has been sentenced to a period of imprisonment for issuing bad checks,

3. has been convicted by a foreign court of law of one of the crimes or offenses listed in Paragraphs 1 and 2 above,

4. has been convicted in Cambodia or abroad for personal bankruptcy, receivership, or liquidation of assets,

5. has been relieved of his duties as a law official by virtue of a court ruling,

6. has been involved in a personal capacity in the management of a covered entity whose license has been withdrawn following a disciplinary action

CHAPTER VII: Composition, Permanent Identification, and Responsibilities of Partners in Covered Entities Constituted as Noncommercial Societies

Article 19. The conditions applicable to setting up the capital, variable or non variable, of the covered entities constituted as noncommercial societies, plus the permanent identification of members or holders of stocks, shall be defined in the special act applicable to cooperative or mutual societies.

In compliance with the provisions of Articles 11 and 14-2 of this law, the central body shall be responsible for guaranteeing the solvency and liquidity of each network vis-à-vis third parties, depositors and creditors.

CHAPTER VIII: Composition, Permanent Identification, and Responsibilities of Shareholders in Locally Incorporated Covered Entities

Article 20. The shareholders of locally incorporated covered entities may be individuals or, under conditions fixed by the supervisory authority, legal persons whose own shareholders must be clearly identified.

The supervisory authority shall particularly avoid situations where there are chains of shareholding companies, each of them holding shares in the others.

Article 21. A holding company which holds as subsidiaries, exclusively or principally, one covered entity or more, shall itself be deemed a covered entity, particularly as regards its licensing approval and submission to the supervisory authority.

Article 22. A covered entity applying for a license must inform the supervisory authority of the identity of its shareholders who directly or indirectly hold 5 percent or more of its capital or voting rights.

Article 23. Any shareholder, or any group of shareholders acting in concert, shall, directly or through the concerned covered entity, notify to the supervisory authority of any increasing in or transfer of direct or indirect equity holdings in a covered entity which would enable this shareholder or group of shareholders to acquire or to lose 5 percent of the covered entity’s capital or voting rights.

Article 24.

1. Any shareholder, or any group of shareholders acting in concert, shall, directly or through the concerned covered entity, obtain the prior authorization of the supervisory authority for taking on or disposing of equity holdings that would directly or indirectly enable this shareholder or group of shareholders to:

– acquire or to lose a half, a third, a fifth, or one tenth of the capital or voting rights of the covered entity,

– acquire or to lose the power of control over the management of the covered entity.

2. The covered entity shall be held accountable for completing the notification and authorization request formalities.

If the formalities have not been observed, the vote of the concerned shareholders in the general meeting shall automatically be invalidated, without prejudice to other penalties applicable to such a case.

Article 25. Unless otherwise stipulated by ordinary commercial law, the minimum number of shareholders and the level of each stake in the share capital of a covered entity shall not be restricted. However, while examining an application for license, and when scrutinizing a notification or application for authorization to step across a regulatory threshold, the supervisory authority shall, on one hand, look to the presence of one or more influential shareholders, and, on the other hand, shall avoid either the extreme concentration or the excessively wide dispersal of shareholdings. However, a high concentration can be accepted if the concerned shareholder is a foreign bank of high standing.

Article 26. For the purposes of this law, a shareholder shall be deemed to be influential from the moment that he directly or indirectly holds at least 20 percent of the share capital or voting rights, or if he holds de facto decision making power as a consequence, inter alia, of widely dispersed shareholding.

Article 27. If the financial position of a covered entity so warrants, the supervisory authority shall enjoin the influential shareholders, jointly and severally, to increase the net worth until the solvency standards are met.

If they refuse to comply, the concerned influential shareholders shall be liable to penalties provided in Article 55-2 below, without prejudice, in case of voluntary liquidation, to actions in meeting disputed liabilities as opposed by creditors or depositors.

CHAPTER IX: Composition, Permanent Identification and Responsibilities of Shareholders of the Parent Company of a Covered Entity Constituted as a Branch of a Foreign Bank

Article 28. A branch of a foreign bank or foreign financial institution licensed to carry on banking or financial activities in Cambodia shall inform the supervisory authority of any change in the composition of the influential shareholding of its parent company, as soon as such a change arises.

Article 29. The supervisory authority may call into question the validity of the license previously granted to a branch, if changes referred to in Article 28 above are likely to weaken the financial position or the accountability of the parent company abroad.

Article 30. If a branch does not abide by prudential regulations, the supervisory authority shall invite its parent company abroad to reconstitute its capital endowment as mentioned in Article 16-2 of this law or to modify the distribution of assets.

Article 31. In case of voluntary liquidation of the parent company abroad, all assets of the foreign branch in Cambodia are earmarked, on a priority basis, for repayment of resident customers, whether they are depositors of securities, gold, or cash, or whether they are creditors, as far as their rights to the assets of the branch at the time of liquidation have been acknowledged by the liquidator of the branch.

CHAPTER X: Equity Participations by Covered Entities in the Capital of Other Commercial Companies

Article 32. For the purposes of this law, holdings shall be regarded as equity participations when they directly or indirectly confer on a covered entity at least 10 percent of the capital or voting rights of another company.

Article 33. A covered entity may hold equity participations, which must at no time exceed either of the following two limits:

1. as regards each equity participation, 15 percent of the amount of the own funds of a covered entity,

2. as regards total equity participations, 60 percent of the amount of the own funds of a covered entity.

Article 34. The following shall not be subject to the individual and overall limits laid down in Article 33 of this law:

1. equity participations in industrial, real estate, or commercial undertakings whose activities are linked to the running of a covered entity,

2. equity participations in banking or financial institutions, with the prior approval of the supervisory authority,

3. companies engaged in agricultural activities.

Article 35. For the purposes of Article 34-2 of this law, the following shall be regarded as banking or financial institutions:

1. covered entities,

2. financial companies, including those engaging in the activities referred to in Article 8 of this law,

3. undertakings engaging in banking or financial operations abroad as their regular business,

4. insurance companies.

Article 36. Whenever a shareholder of a covered entity is a banking or a financial institution, or whenever a covered entity itself has a stake in a banking or a financial institution, the supervisory authority shall require for the calculation of a covered entity's net worth on which prudential ratios are based:

– either the deduction of the participations held by the covered entity in other banking or financial institutions, or the prior consolidation of balance sheets of companies of the group whenever relevant upstream.

– or downstream holdings reach at least 20 percent of the capital of related companies.

Article 37. Any acquisition of holdings by a covered entity in the capital of an industrial or a commercial undertaking registered abroad shall be subject to the prior approval of the supervisory authority.

CHAPTER XI: Establishment Abroad or in Cambodia

Article 38. Any acquisition of holdings by a covered entity in the capital of a bank or financial institution abroad, as well as any opening of a branch or representative office abroad, shall be subject to the prior approval of the supervisory authority.

Article 39. The opening of a branch in Cambodia by a covered entity shall be subject to the prior approval of the supervisory authority.

Acquisitions of holdings by a covered entity in the capital of another covered entity are governed by the provisions of Articles 19 - 27 as well as Articles 33 - 35 of this law.

CHAPTER XII: Supervisory Authority and Regulatory Power

Article 40. The Central Bank supervises the banking system and its related activities such as the money market, the interbank settlement system, and financial intermediation. To this end the Central Bank shall:

1. issue licenses and define the licensing process,

2. prepare and keep up to date a list of licensed banks which shall be published in the Official Gazette of the Kingdom of Cambodia and in the Bulletin of the National Bank of Cambodia,

3. be empowered to issue regulations for the implementation of this law which authorize the Central Bank to determine, in particular the

   a. amount of minimum capital and the nature of the assets it is backed with,

   b. prudential ratios regarding particularly liquidity, solvency, risk diversification, foreign exchange exposure, and market risk exposure,

   c. valuation rules for accounting balances,

   d. conditions under which participations can be taken and held in the capital of a covered entity or a financial institution,

   e. conditions under which participations can be taken and held in the capital of other banking or financial companies,

f. debts which must be regarded as doubtful, and the provisioning thereof,

g. the chart of accounts, the related accounting standards, the rules for the consolidation of accounts, and the rules of the disclosure of accounting statements,

h. conditions applicable to the banking and financial operations that may be carried out in their relations with customers,

i. Organization of interbank joint services, including the centralization of financial information, risks, and overdue debts.

j. granting of individual, exceptional, and temporary exemptions,

k. requirements and authorization rules concerning modifications in the business name, legal form, capital distribution, management and activities of a covered entity, or of the head office in the case of a branch of a foreign bank,

l. practice of door-to-door selling of banking or financial services,

m. after consultation with the covered entities' professional association, the rules governing the operation of a deposit guarantee system,

n. and, generally speaking, the modalities for enforcing this law in light of the differences concerning the legal form of covered entities, the scope of their network, and the nature of their activities,

4. it publishes all regulations issued by virtue of its authority in the Official Gazette of the Kingdom of Cambodia and in the Bulletin of National Bank of Cambodia,

5. it supervises the banking system through permanent off-site monitoring and periodic on-site examinations of each covered entity; if the need arises, on-site examinations may be extended to a subsidiary of a covered entity or to any other related entities, including shareholders,

6. It organizes or supervises any interbank settlement system,

7. it may require that covered entities, public offices, auditors, and any other individual or legal entity disclose information considered as useful for its mission,

8. and it may, in accordance with the conditions defined in Articles 52 to 54 of this law, take disciplinary action.

Article 41. The supervisory authority's duty consists:

1. in licensing covered entities to carry out financial and banking operations in Cambodia,

2. in defining and enforcing prudential rules related to the financial structure and management that covered entities must abide by,

3. in supervising, permanently but after the fact, through both off-site and on-site examinations, the financial position and functioning of covered entities,

4. in imposing disciplinary sanctions against covered entities failing to comply with law and regulations,

5. in referring to the courts if failure to observe laws and regulations undermines the public interest.

Managers and shareholders of the covered entities are accountable for errors of strategy, for mistakes in and errors of management, and for deficiencies in internal control, in accordance with the provisions of Articles 14, 19, 27 and 30 of this law.

CHAPTER XIII: Prudential Measures - Internal control

Article 42. A covered entity shall, under the conditions prescribed by the supervisory authority, abide not only by the monetary policy rules defined in law NS/RKM/0196/27 of January 26, 1996 on the Organization and Functioning of the National Bank of Cambodia, but also the management standards aimed at safeguarding its liquidity and solvency vis-à-vis depositors and, more generally, as regards third parties, as well as the equilibrium of its financial structure.

In calculating the net worth of a covered entity on which prudential norms are based, the supervisory authority must deduct not only any intangible or worthless asset recorded in the balance sheet, but also any equity participation in a banking or financial institution, as well as credits and loans of whatever nature or maturity granted to shareholders or other commitments to shareholders under regulatory conditions.

Article 43. Under conditions prescribed by the supervisory authority, a covered entity must have an internal control system aiming particularly at:

1. verifying that the operations carried out by a covered entity, as well as the organization and internal procedures, comply with the laws and regulations in force, professional and ethical standards and practices, and the policy of the executive body,

2. verifying that the limits laid down for risks, in particular counterparty, exchange-rate, interest-rate and other market risks, are strictly observed,

3. monitoring the quality of accounting and financial information, in particular the arrangements whereby this information is recorded, preserved, made available, and disclosed internally and externally.

CHAPTER XIV: Accounting Obligations - External Auditors' Duties

Article 44. The provisions of ordinary commercial law or of the legal statute of noncommercial societies concerning the closing and auditing of accounts as well as certification of annual individual accounts shall apply to a covered entity under the conditions prescribed by the supervisory authority.

Article 45. A covered entity shall prepare, publish and if need be consolidate its accounts under the conditions prescribed by the supervisory authority.

A covered entity shall also periodically submit to the supervisory authority accounting statements and reports showing evidence of enforcement of legal, regulatory and prudential requirements.

Article 46. No external auditor may audit a covered entity without prior authorization of the supervisory authority.

Before certifying the accounting statements, auditors must be satisfied of the fairness and truth of the annual accounting information reflected in the balance sheet and off-balance sheet items, income statement, and appended statements intended for publication or submission to the supervisory authority.

Auditors shall inform the court if they notice that a covered entity has violated legal or regulatory provisions, in a manner likely to undermine the public interest.

At the close of their audit, auditors shall prepare and submit to the supervisory authority a report summarizing their findings, in particular:

1. payment of capital
2. valuation methods of account balances
3. consolidation methods
4. financial position of the covered entity
5. agreements that may have been concluded, directly or indirectly, during the accounting year between the covered entity and its shareholders or its directors.

The supervisory authority may request from auditors any information about the activity or financial position of a covered entity.

Furthermore, the supervisory authority may forward to auditors its remarks or requests for explanations, to which auditors shall reply in writing.

CHAPTER XV: Professional Secrecy

Article 47. No person who participates in any capacity in the administration, direction, management, internal control, or external audit of a covered entity, and no employee of the latter, may provide to any person any confidential information pertaining to statements, facts, acts, figures or the contents of accounting or administrative documents of which he might have become aware through his functions.

Any person who fails to observe this obligation of professional secrecy shall be liable to the sanctions laid down in Article 55 of this law.

However, the obligation of professional secrecy may not be used as a ground for nondisclosure vis-à-vis the supervisory authority, auditors, provisional administrators, liquidators, or a court dealing with criminal proceedings.

CHAPTER XVI: Related Parties

Article 48. Without prejudice to the provisions of Article 42 of this law concerning the calculation of net worth, any credit granted to a related party by a covered entity shall be subject to a regulation issued by the supervisory authority so that the extent of such credit shall be limited and known permanently.

Article 49. For the purposes of this law, related parties to a covered entity are defined as follows:

1. any person holding directly or indirectly at least 10 percent of the capital or voting rights,
2. any company of which the covered entity directly or indirectly holds at least 10 percent of the capital or voting rights,
3. any individual who participates in the administration, direction, management, or internal control,
4. and the external auditors.

Article 50. The supervisory authority may require a covered entity to consider in a same way loans granted to beneficiaries regarded as related parties because of their kinship or their financial links with persons referred to in Article 49 of this law, or beneficiaries who, despite being under the shareholding threshold fixed in Article 49, would have a significant management power owing to a wide dispersion of capital shareholding.

CHAPTER XVII: Money Laundering

Article 51. In addition to the specific legal provisions that it must observe regarding money laundering, a covered entity shall take appropriate measures to identify precisely all its customers and, above a threshold to be defined by the supervisory authority, the transactions carried out through them, and shall keep all relevant documentation thereon for at least ten years.

CHAPTER XVIII : Disciplinary Sanctions

Article 52. If a covered entity has contravened a provision of the laws or regulations governing its activities, has failed to heed a warning or not complied with an injunction, the supervisory authority may impose one of the following disciplinary sanctions:

– caution;

– reprimand;

– prohibition on the execution of certain operations and any other limitations on the carrying on of business;

– temporary suspension of one or more of the executives, with or without appointment of a provisional administrator;

– compulsory resignation of one or more of the executives, with or without appointment of a provisional administrator;

– setting up a provisional administration;

– withdrawal of the license and liquidation.

Furthermore, the supervisory authority may, either in place of or in addition to these sanctions, impose a fine not exceeding the minimum capital of the covered entity.

Article 53. The appointment of a provisional administrator or of a liquidator is an urgent administrative and protective measure. The covered entity concerned must be given notice of the measure, which is enforceable immediately.

Article 54. The supervisory authority decides as a last resort jurisdiction in the case of the other disciplinary sanctions, which are of a moral or a financial nature. These decisions are enforceable immediately but may be appealed to the highest administrative jurisdiction on the grounds of legal flaw or irregularity.

CHAPTER XIX: Penalties

Article 55. In addition to the penalties provided for in case of violation of provisions of ordinary law or of the legal statute of noncommercial societies, the following penalties may be applied under this law:

1. Any person who, acting either for his own account or for the account of a legal person, as his regular business and on behalf of the general public carries out banking operations without a license, shall be liable before the courts to imprisonment from 1 year to 5 years and a fine from 5 million to 250 million riels, or to either of these penalties, without prejudice to the closure of the concerned establishment.

2. Any person or entity who infringes any of the provisions of Articles 9, 11, 18, 19, 27, 30, and 47, shall be liable before the courts to the penalties provided for in Article 55-1 above.

3. Any person, acting either for his own account or for the account of a legal person, shall be liable before the courts to imprisonment from one year to five years and a fine from 1 million to 10 million riels, or to either of these penalties:

– if he infringes any of the provisions of Articles 8, 13, 23, 24, 28, 38, 39, 44, 45, 46 and 51;

– or if, after formal demand from the supervisory authority, he fails to respond to request for information provided for in Article 40-7;

– or if he knowingly provides the supervisory authority with inaccurate information;

– or if he hinders examinations implemented by the supervisory authority or by the external auditors of a covered entity or hinders the missions of a provisional administrator or of a liquidator appointed by the supervisory authority.

Article 56. The penalties provided for in Article 55 shall be imposed by the courts, in particular after a prior complaint or action for damages by the supervisory authority or by the covered entities' professional association provided for in Article 72 hereafter.

CHAPTER XX : Provisional Administration – Liquidation

Article 57. If a serious and confirmed threat is weighing on the solvency of a covered entity and if appeals for reconstitution of own funds as provided for in Articles 14, 19, 27 and 30 remain without effect, the supervisory authority may, on its own initiative or at request from the executives or shareholders, appoint, at the covered entity's expense, a provisional administrator for an initial period not exceeding 3 months. If circumstances so warrant, the provisional administrator's mission can be extended for another period of 3 months.

Article 58. As soon as he is appointed, a provisional administrator has exclusive powers to manage, direct and represent the covered entity.

Article 59. The provisional administrator's main duties are immediately to make an assessment of whether or not the covered entity is solvent, and to administer the current activities in order to preserve as far as possible the covered entity's solvency and maintain the rights of depositors and creditors.

Article 60. If the assessment concludes that the covered entity is considered solvent, and is furthermore in a position to abide by all legal and regulatory prudential norms, the administrator shall so report to the supervisory authority who shall lift the protective measures.

Article 61. If the assessment concludes that the covered entity is solvent but is not in a position to abide by, within a period not exceeding 3 months, the prudential norms relating to net worth and liquidity, the license may be withdrawn and the provisional administration converted into a voluntary liquidation, at the expense of the covered entity.

The liquidator, who may be the provisional administrator, shall liquidate all the assets and meet all liabilities of the establishment under the control of the supervisory authority.

Article 62. If the assessment concludes that the covered entity is not solvent, the license is immediately withdrawn and the provisional administration is converted into a liquidation by order of the court, at the expense of the covered entity.

The provisional administrator shall declare the suspension of payments and the case is referred to the court which shall appoint a liquidator, who may be the provisional administrator.

The liquidator shall liquidate the assets and meet the liabilities under the control of the court and in compliance with bankruptcy proceedings under ordinary law. Any banking or financial operations carried out during the liquidation remain subject to this law.

Article 63. A liquidation, voluntary or by order of the court, depending on the solvency or insolvency of the covered entity, shall be undertaken following a license withdrawal pronounced as a disciplinary sanction imposed in accordance with Article 52.

Article 64. Given the particularities of banking and financial business, balance sheet and off-balance sheet liabilities, after having been admitted, shall be met in the following order:

1. fees or other charges for the provisional administration and for the liquidation, voluntary or by order of the court,

2. taxes and fees due to the National Treasury,

3. salaries owed to the staff of the covered entity for a period of up to three months preceding the date of the liquidator's appointment,

4. preferential or secured claims if sureties have not been taken during the suspect period,

5. deposits, in cash, gold, or securities, or other claims of creditors other than banks and financial institutions, with the proviso that each depositor holding one or several accounts denominated in riels shall receive an equal amount up to two million riels,

6. other deposits, in cash, gold, or securities, or other claims of banks and financial institutions,

7. subordinated debts and equity-type loans.

Article 65. The supervisory authority, the provisional administrator or the liquidator shall submit the case to the court if they observe grave, penalty reprehensible violations of any legal or regulatory provision.

Article 66. Provisional administrators and liquidators shall be chosen by the supervisory authority from a list of qualified professionals drawn up beforehand by the latter and the Ministry of Justice.

Article 67. If a provisional administrator or a liquidator is in some way hindered from performing his duty by the concerned covered entity, he may refer the matter to the court.

Article 68. The shareholders of a solvent covered entity, gathered for an extraordinary general meeting, may decide to liquidate the entity, in accordance with provisions of ordinary law. Advised of that decision, the supervisory authority shall appoint a liquidator who shall liquidate the entity under the control of the supervisory authority.

Article 69. Remuneration to be paid and other expenses to be reimbursed for provisional administration or liquidation shall be established according to prevailing regional professional scales and charged automatically to the concerned covered entity, in compliance with Article 57, 61, 62, 63, 64 of this law.

CHAPTER XXI: Customer Protection

Article 70. The supervisory authority shall define, after having consulted the profession, a corpus of rules of good conduct aimed at ensuring customer protection, in particular concerning:

1. transparency, openness and the level of charges and remuneration for banking or financial operations,
2. he opening and termination of credit lines,
3. and the renegotiation of loans.

Article 71. Credit balances of customer accounts or of accounts with other banks or financial institutions which have been dormant for 10 consecutive years, shall be transferred to the National Bank of Cambodia, which shall be accountable thereafter for administering such deposits.

CHAPTER XXII: Organization of the Profession

Article 72. Whatever its legal form or its specialization, any covered entity shall be required to belong directly - or, in the case of noncommercial societies, through the central body referred to in Article 11 - to a single professional association whose Articles of Association shall have been endorsed by the supervisory authority.

The association shall be directed by a single chairman elected by all its members pursuant to its Articles of Association. However, within the body, members having same professional specialization can band together into separate subdivisions.

Article 73. The aims of the professional association shall be to:

1. represent the collective interests of the covered entities, particularly in relations with the government authorities and with the supervisory authority,
2. provide its members and the public with information concerning every aspect of banking and financial operations,
3. conduct research into any questions of mutual interest,
4. promote professional interbank training,
5. organize and manage all interbank services, in agreement with the supervisory authority and under its control,

6. lodge a complaint before the courts in compliance with the provisions of Article 56 of this law.

CHAPTER XXIII : Transitional Provisions

Article 74.

1. Previously licensed institutions shall bring their Articles of Association, activities, and financial structure, into line with the provisions of this law within 6 months from its entry into force, and shall apply for a new license within the same period.

After having examined these applications, the National Bank of Cambodia shall publish a list of licensed institutions in accordance with the provisions of this law in the Bulletin of the National Bank of Cambodia and in the Official Gazette of the Kingdom of Cambodia.

At the close of the six month period, any institution failing to abide by the provisions of this law and its implementing regulations shall cease doing business and be liquidated.

2. Institutions which carry out without a license the banking and financial activities referred to in Articles 2, 3 and 4 of this law shall immediately cease undertaking any new operations and apply for a license to the relevant supervisory authority within three months from the date of promulgation of this law.

3. Any entity carrying out banking activity in particular so as to promote banking intermediation in the sectors of agriculture, handicrafts, small scale trade, and services to households, may operate under conditions waiving provisions of this law, as defined by special regulation issued by the National Bank of Cambodia regarding their:

–minimum capital,

–licensing process,

–applicable prudential rules,

–conditions of establishment.

CHAPTER XXIV: Final Provisions

Article 75. All provisions contrary to this law are hereby repealed.

Article 76. This law has been marked as urgent.

Signature

NORODOM SIHANOUK

LAW ON NEGOTIABLE INSTRUMENTS

AND PAYMENT TRANSACTIONS

24 October 2005

CHAPTER I – GENERAL PROVISIONS

Article 1. This Law governs negotiable instruments and payment transactions and covers bank accounts and the operation of the payment system.

1. Negotiable instruments are written orders or promises to pay a determinate sum of money, transferable by delivery, and where required, also with endorsement. Negotiable instruments governed by the Law are checks, bills of exchange, and promissory notes.

2. Payment transactions governed and defined by this Law are transfers of funds between or from bank accounts. A payment transaction may be either a credit or debit transfer. It is initiated by means of a payment order, which may be written, electronic, and under some conditions, oral.

3. A payment system consists of institutions and mechanisms facilitating payment in money and the transfer of monetary value by means of payment transactions.

Article 2. Definitions of technical words and terms used in this Law:

1. "Vis major" ***means an insurmountable obstacle, caused by a supervening event beyond the control of the person who is to perform.***

2. **"To issue"** is to write, sign and deliver a check, bill of exchange, or promissory note to the first holder.

3. "To draw" is to write and sign a check or bill of exchange.

4. "Settlement" means the payment in discharge of an obligation on an interbank payment order.

5. "Presentment" means the production of a check, bill of exchange or a promissory note to demand acceptance or payment from the drawee or maker.

6. "Execution" in Chapter V means the carrying out of instructions contained in a payment order by means of the issue of a corresponding payment order to a receiving bank.

7. "Clearing" means exchanging and processing interbank payment orders for the purpose of establishing amounts owed by or to each bank for the settlement of payment orders.

8. "In-house transfer" means a transfer of funds, from a payor to a payee at the same bank, having one payment order. Participants in an in-house transfer are the originator, bank acting both as originating and destination bank, and the receiver.

9. "Interbank transfer" means a transfer of funds from a payor to a payee in two separate banks under at least two payment orders. In an interbank transfer:

(i) each receiving bank other than the destination bank executes its sender's payment order by issuing a corresponding payment order to a receiving bank, and the last payment order is sent to the destination bank;

(ii) Participants are the originator, originating bank, destination bank and the receiver, and may include one or more intermediary banks;

(iii) whenever the originating bank does not settle directly with the destination bank at least one intermediary bank is required; and

(iv) for each interbank payment order, the sending bank settles with the receiving bank as provided in Article 202.

10. "Debit transfer" means a payment transaction originated by the payee, based on the payor's authority, instructing the payee's bank to collect money from the payor's account.

11. "Credit transfer" means a payment transaction originated by the payor, who issues a payment order to the payor's bank instructing it to transfer funds out of the payor's account to the payee or to the payee's account.

12. "Agreement" in Section 7 of Chapter V means the contract between a bank and customer, which governs the operation of account, including such matters as its duration, modification and the payment orders.

13. "Account" means any account opened under a contract between a customer and a bank, whether current, giro, or otherwise, and includes an account under an ad hoc relationship created solely for the purpose of generating a single payment transaction.

14. "Settlement account" means the account that a bank maintains on the books of the NBC for carrying out incoming and outgoing payment transactions.

15. "Passbook account" means an account under which debits and credits are posted by the bank recording them in a passbook originally given by the bank to the customer and presented to the bank for such recording by the customer.

16. "By procuration" means by limited authority to collect on behalf of the transferor.

17. "Electronically" means by means of either on-line telecommunication or the off-line physical delivery of tapes, diskettes, or similar devices.

18. "Value in collection" means value to be received by the transferor upon collection or recovery on the instrument by the transferee.

19. "Value in security" or "Value in pledge" indicates transfer by way of security, or a transfer intended to create a security interest, and not to convey title

20. "Banking day" means the part of the day during which the bank is open for the receipt, processing, and transmittal of payment orders and other messages relating to payment transactions.

21. "Value date" means the banking day on which a payment order is to be acted on as instructed by the sender.

22. "Bank" includes the National Bank of Cambodia, any institution licensed to carry out banking operations under the Law on Banking and Financial Institutions, and any other institution or entity authorized by law to take deposits or participate in payment transactions on the account of customers.

A branch or a separate office of a bank is considered a separate bank for the purposes of (i) duties in the performance of a payment transaction, and (ii) computing the time within

which, or determining the place at or to which, action may be taken or notice or order must be given.

23. “Destination bank” means the bank identified in a payment order in which either payment to the payee in a credit transfer is to take place or the payor's account in a debit transfer is held. It is the bank which is to receive the last payment order in a payment transaction. In a credit transfer the destination bank is the payee's bank. In a debit transfer the destination bank is the payor's bank.

24. “Originating bank” means the bank that receives the first payment order initiating a payment transaction. In a credit transfer the originating bank is the payor's bank. In a debit transfer the originating bank is the payee's bank.

25. “Receiving bank” means the bank to which the sender's payment order is addressed.

26. “Intermediary bank” means a receiving bank other than the originating or destination bank.

27. “Security procedure” means a procedure established by agreement between a customer and a receiving bank for the purpose of (i) verifying that a payment or cancellation order is that of the customer, or (ii) detecting an error in the transmission or the content of the payment or cancellation order. A security procedure may require the use of algorithms or other codes, identifying words or numbers, encryption, callback procedures, or similar devices. Comparison of a signature on a payment order or communication with an authorized specimen signature of the customer is not by itself a security procedure.

28. “Retour sans frais” literally means “return without charges”, and signifies an undertaking to honor, that is, to allow recourse against a party liable, without requiring the holder to have a protest drawn up.

29. “Payment order” means an instruction given to a bank to pay or collect a specific sum of money out of a designated account, to or for a payee, or to or for a payee’s account, and includes any amendment to a payment order. It may be value-dated but not be subject to a condition other than as the originating bank agreed to perform. Parties to a payment order are the sender and the receiving bank. Where the sender is a bank the payment order is an interbank payment order.

30. “Drawer” means the person who gives the order to pay on a check or bill of exchange.

31. “Drawee” means the person to whom the order to pay on a check or bill of exchange is addressed.

32. “Payment transaction” means a transfer of funds from the payor’s account to the payee or to the payee’s account. A payment transaction

May be either a credit or a debit transfer;

Is initiated by the originator’s payment order given to the originating bank, instructing it to carry out the payment transaction;

Is carried out by the payor’s bank debiting the payor’s account, with the payee’s bank either crediting the payee’s account or otherwise placing the funds at the payee’s control and disposal as instructed by the originator;

May be a transfer of funds from a payor to a payee who may be the same or two different individuals or legal entities; and

May be a transfer of funds in which the payor’s account is held, and payment to the

payee takes place, in either the same or two different banks.

33. “Endorsement” means a signature on the back of a negotiable instrument, with or without qualifying words. An effective endorsement is completed by delivery.

34. “Person” includes an individual or legal entity.

35. “Adequate cover” for a payment order means the availability of sufficient funds, namely the existence of an account balance not smaller than the amount of the payment order, consisting of the closing balance of the previous banking day, plus credit already posted to the payor’s account in the course of the current banking day for incoming payments, deposits and remittances, less outgoing payments and disbursements already occurring in the course of the current banking day, and anticipated bank charges. Funds reflecting mere provisional credit to the payor’s account do not constitute part of the required cover.

36. “Funds” includes cash and deposits kept in bank accounts.

37. “Aval” indicates a guarantee liability on a check, bill of exchange or promissory note.

38. “Foreign currency” means any currency other than the domestic currency.

39. “Domestic currency” means the riel, or any successor or replacement as the official currency of the Kingdom of Cambodia.

40. “Protest” or “Protêt” is a solemn written declaration as to circumstances, such as default in or refusal of acceptance, payment, or given visa, which entitle the holder to recourse on a negotiable instrument. A protest must be made as and when required by specific provision of this law.

41. “Acceptance” means the engagement of the drawee of a bill of exchange to comply with the drawer's order. To be effective it must be completed by delivery or notification.

42. “For collection” in an endorsement indicates that the endorsement is not designed to convey title but is for the purpose of facilitating collection or recovery on the instrument by the transferee on behalf of the transferor.

43. “Payee” in Chapters II, III, and IV means the person in whose favor a check, bill of exchange or promissory note is made payable upon issuance.

44. “Customer” means an individual, whether carrying on a business or not, or a legal entity, including a bank, having an account with a bank.

45. “Intervention for honor” means the procedure under which a person who is not liable on a negotiable instrument intervenes in order to accept or pay for the honor of any party liable.

46. “Maker of promissory note” is the person who makes the promise to pay on a promissory note.

47. “Sender” means the individual or legal entity giving a payment order to a receiving bank.

48. “Originator” means the sender of the first payment order initiating the payment transaction. In a credit transfer the originator is the payor. In a debit transfer the originator is the payee.

49. “Receiver” means the participant whose bank is to receive the last payment order in the payment transaction. In a credit transfer the receiver is the payee. In a debit transfer the receiver is the payor.

50. “Payee” in Chapter V means the participant who is to receive payment in a payment transaction and in a debit transfer includes the payee’s transferee under a valid transfer, if applicable. It is the receiver in a credit transfer and the originator in a debit transfer.

51. “Payor” means the participant who is to make payment in a payment transaction. It is the originator in a credit transfer and the receiver in a debit transfer.

52. “Overdraft facility” means a line of a credit permitting the borrowing of funds and their withdrawal or transfer by means of a check or payment order.

53. “Maturity” means the date on which a bill of exchange or promissory note becomes due.

54. “Recourse” means the right to recover from a party liable on a negotiable instrument.

CHAPTER II-- CHECKS

SECTION 1—THE DRAWING AND FORM OF A CHECK

Article 3. A check is an unconditional order in writing, addressed to a banker and signed by the person giving the order, requiring the banker to pay a determinate sum of money to, or to the order of a specified person or to bearer. It must be payable at sight and conform to all requirements provided by this Chapter.

Article 4. A check is a payment instrument. It may be written in Khmer or any other language and must contain:

- The term **“check”** inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
- An unconditional order to pay a determinate sum of money;
- The name of the banker who is to pay (drawee);
- A statement of the place where payment is to be made;
- A statement of the date when and the place where the check is drawn;
- The signature of the person who gives the order on the check (drawer).

Article 5. An instrument in which any of the requirements mentioned in the preceding article is wanting is invalid as a check, except in the cases specified in the following paragraphs:

1. In the absence of special mention, the place specified beside the name of the drawee is deemed to be the place of payment. If several places are named beside the name of the drawee, the check is payable at the first place named.

2. In the absence of these statements, and of any other indication, the check is payable at the place where the drawee has his principal establishment.

3. A check which does not specify the place at which it was drawn is deemed to have been drawn in the place specified beside the name of the drawer.

Article 6. A check must be drawn on a banker holding funds at the disposal of the drawer and in conformity with an agreement express or implied, whereby the drawer is entitled to dispose of those funds by check. Nevertheless, if these provisions are not complied with, the instrument is still valid as a check.

Article 7.

1. A check cannot be accepted. A statement of acceptance on a check shall be disregarded.

2. A check does not operate as an assignment of funds in the hands of the drawee available for payment thereof and the drawee of a check is not liable to the holder.

Article 8.

1. A check may be made payable:

   a. To a specified person with or without the express clause “to order,” or

   b. To a specified person, with the words “not to order” or equivalent words, or

   c. To bearer.

2. A check made payable to a specified person with the words “or to bearer,” or any equivalent words, is deemed to be a check to bearer.

3. A check which does not specify the payee is deemed to be a check to bearer.

Article 9.

1. A check may be drawn to the drawer's own order.

2. A check may be drawn for account of a third person.

3. A check may not be drawn on the drawer himself unless it is drawn by one establishment on another establishment belonging to the same drawer.

Article 10. Any stipulation concerning interest which may be embodied in the check shall be disregarded.

Article 11. A check may be payable at the domicile of a third person either in the locality where the drawee has his domicile or in another locality, provided that such third person is a banker.

Article 12.

1. Where the sum payable by a check is expressed in words and also in figures, and there is any discrepancy, the sum denoted by the words is the amount payable.

2. Where the sum payable by a check is expressed more than once in words or more than once in figures, and there is any discrepancy, the smaller sum is the sum payable.

Article 13. If a check bears signatures of persons incapable of binding themselves by a check, or forged signatures, or signatures of fictitious persons, or signatures which for any other reason cannot bind the persons who signed the check or on whose behalf it was signed, the obligations of the other persons who have signed it are none the less valid.

Article 14. Whoever puts his signature on a check as representing a person for whom he had no power to act is bound himself as a party to the check and, if he pays, has the same rights as the person for whom he purported to act. The same rule applies to a representative who has exceeded his powers.

Article 15. The drawer guarantees payment. Any stipulation by which the drawer releases himself from this guarantee shall be disregarded.

Article 16. If a check which was incomplete when issued has been completed otherwise than in accordance with the agreements entered into, the non-observance of such agreements may not be set up against the holder unless he has acquired the check in bad faith or, in acquiring it, has been guilty of gross negligence.

SECTION 2— ENDORSEMENT

Article 17.

1. A check made payable to a specified person, with or without the express clause "to order," may be transferred by means of endorsement.

2. A check made payable to a specified person, in which the words "not to order" or any equivalent expression have been inserted, can only be transferred according to the form and with the effects of an ordinary assignment.

3. A check may be endorsed even to the drawer or to any other party to the check. These persons may re-endorse the check.

Article 18.

1. An endorsement must be unconditional. Any condition to which it is made subject shall be disregarded.

2. A partial endorsement is null and void.

3. An endorsement by the drawee is also null and void.

4. An endorsement "to bearer" is equivalent to an endorsement in blank.

5. An endorsement to the drawee has the effect only of a receipt, except in the case where the drawee has several establishments and the endorsement is made in favor of an establishment other than that on which the check has been drawn.

Article 19.

1. An endorsement must be written on the back of the check or on a slip affixed thereto (allonge). It must be signed by the endorser.

2. The endorsement may leave the beneficiary unspecified or may consist simply of the signature of the endorser (endorsement in blank).

Article 20.

1. An endorsement transfers all the rights arising out of a check.

2. If the endorsement is in blank, the holder may:

a. Fill up the blank either with his own name or with the name of some other person;

b. Re-endorse the check in blank or to some other person;

c. Transfer the check to a third person without filling up the blank and without endorsing it.

Article 21.

1. In the absence of any contrary stipulation, the endorser guarantees payment.

2. He may prohibit any further endorsement; in this case he gives no guarantee to the persons to whom the check is subsequently endorsed.

Article 22. The possessor of an endorsable check is deemed to be the lawful holder if he establishes his title to the check through an uninterrupted series of endorsements, even if the last endorsement is in blank. In this connection cancelled endorsements shall be disregarded. When an endorsement in blank is followed by another endorsement, the person who signed this last endorsement is deemed to have acquired the check by the endorsement in blank.

Article 23. An endorsement on a check to bearer renders the endorser liable in accordance with the provisions governing the right of recourse; however, it does not convert the instrument into a check to order.

Article 24. Where a person has, in any manner whatsoever, been dispossessed of a check, whether it is a check to bearer or an endorsable check to which the holder establishes his right in the manner mentioned in Article 22, the holder into whose possession the check has come is not bound to give up the check unless he has acquired it in bad faith or unless in acquiring it he has been guilty of gross negligence.

Article 25.

1. Persons sued on a check cannot set up against the holder defenses founded on their personal relations with the drawer or with previous holders, unless the holder in acquiring the check has knowingly acted to the detriment of the debtor.

2. Paragraph 1does not apply to a check made payable to a specified person, in which the words “not to order” or any other equivalent expression have been inserted.

Article 26.

1. When an endorsement contains the statement “value in collection” (“valeur en recouvrement”), “for collection” (“pour encaissement”), “by procuration” (“par procuration”), or any other phrase implying a simple mandate, the holder may exercise all rights arising out of the check, but he can re-endorse it only in his capacity as agent.

2. In this case the parties liable can only set up against the holder defenses which could be set up against the endorser.

3. The mandate contained in an endorsement by procuration does not terminate by reason of the death of the party giving the mandate or by reason of his becoming legally incapable.

Article 27.

1. An endorsement after protest or after an equivalent declaration or after the expiration of the limit of time for presentment

i. Operates only as an ordinary assignment; and

ii. Does not operate to give rights under Articles 22, 24, and 25.

2. Failing proof to the contrary, an undated endorsement is deemed to have been placed on the check prior to the protest or equivalent declaration or prior to the expiration of the limit of time referred to in the preceding paragraph.

SECTION 3— "AVALS"

Article 28.

1. Payment of a check may be guaranteed by an "aval" as to the whole or part of its amount.

2. This guarantee may be given by a third person other than the drawee, or even by a person who has signed the check.

Article 29.

1. An "aval" may be given either on the check itself or on an "allonge".

2. It is expressed by the words "good as aval," or by any other equivalent formula. It is signed by the giver of the "aval".

3. It is deemed to be constituted by the mere signature of the giver of the "aval," placed on the face of the check.

4. An "aval" must specify for whose account it is given. In default of this, it is deemed to be given for the drawer.

Article 30.

1. The giver of an "aval" is bound in the same manner as the person for whom he has become guarantor.

2. His undertaking is valid even when the liability which he has guaranteed is inoperative for any reason other than defect of form.

3. He has, when he pays the check, the rights arising out of the check against the person guaranteed and against those who are liable to the latter on the check.

SECTION 4—PRESENTMENT AND PAYMENT

Article 31.

1. A check is payable at sight. Any contrary stipulation shall be disregarded.

2. A check presented for payment before the date stated as the date of issue is payable on the day of presentment.

Article 32. A check must be presented for payment within six months of its date.

Article 33. Where a check is drawn in one place and is payable in another having a different calendar, the day of issue shall be construed as being the corresponding day of the calendar of the place of payment.

Article 34. The presentment of a check either at or through a clearing-house, or electronically, as provided by agreement or regulations issued by the National Bank of Cambodia, is an effective presentment for payment.

Article 35.

1. Payment on a check may be countermanded without prejudice to the rights of the holder.
2. If payment on a check has not been countermanded, the drawee may pay it even after the expiration of the time limit for presentment.

Article 36. Neither the death of the drawer nor his incapacity taking place after the issue of the check shall have any effect as regards the check.

Article 37.

1. The drawee who pays a check may require that it shall be given up to him receipted by the holder.

2. When there is insufficient cover in the drawer's account the holder may not refuse partial payment.

3. In case of partial payment the drawee may require that the partial payment shall be mentioned on the check and that a receipt shall be given to him.

Article 38. The drawee who pays an endorsable check is bound to verify the regularity of the series of endorsements, but not the signature of the endorsers.

Article 39.

1. A check is deemed to be an authorization given to the drawee to pay in the currency of the account on which it is drawn.

2. When a check is drawn payable in a currency which is not that of the account, the sum payable may be paid by the drawee in the currency of the account according to its value on the date of payment.

3. If a check drawn payable in a currency which is not that of the place of payment has not been paid on presentment, the holder may at his option demand from a party liable that payment of the amount of the check be made in the currency of the place of payment according to the rate on the day of presentment or on the day of payment.

4. The usage of the place of payment shall be applied in determining the value of foreign currency. Nevertheless, the drawer may stipulate that the sum payable shall be calculated according to a rate expressed in the check.

5. Notwithstanding paragraph 3, a check either drawn payable in a currency which is widely accepted in Cambodia, or in which the drawer has stipulated that payment must be made in a certain specified foreign currency, may be enforced by the holder against any party liable in the stated currency.

6. If the amount of the check is specified in a currency having the same denomination, but a different value in the country of payment and the country of issue or any other country, unless specifically indicated otherwise, where the currency is not that of the account, reference in the check is deemed to be made to the currency of the country of payment. Where the currency of the country of payment does not have the same denomination, reference is deemed

to be made to a currency which is widely accepted in the place of payment.

SECTION 5—CROSSED CHECKS AND CHECKS PAYABLE IN ACCOUNT

Article 40.

1. The drawer or holder of a check may cross it with the effects stated in the next article hereof.

2. A crossing takes the form of two parallel lines drawn on the face of the check. The crossing may be general or special.

3. The crossing is general if it consists of the two lines only or if between the lines the term “banker” or some equivalent is inserted; it is special if the name of a banker is written between the lines.

4. A general crossing may be converted into a special crossing, but a special crossing may not be converted into a general crossing.

5. The alteration either of a crossing or of the name of the banker shall be regarded as not having taken place.

Article 41.

1. A check which is crossed generally can be paid by the drawee only to a banker or to a customer of the drawee.

2. A check which is crossed specially can be paid by the drawee only to the named banker, or if the latter is the drawee, to his customer. Nevertheless the named banker may procure the check to be collected by another banker.

3. A banker may not acquire a crossed check except from one of his customers or from another banker. He may not collect it for the account of other persons than the foregoing.

4. A check bearing several special crossings may not be paid by the drawee except in a case where there are two crossings, one of which is for collection through a clearing house.

5. The drawee or banker who fails to observe the above provisions is liable for resulting damage up to the amount of the check.

Article 42.

1. The drawer or the holder of a check may forbid its payment in cash by writing transversally across the face of the check the words “payable in account” (“à porter en compte”) or a similar expression.

2. In such a case the check can only be settled by the drawee by means of book-entry such as credit in account, transfer from one account to another, set off or clearing-house settlement. Settlement by book- entry is equivalent to payment.

3. Any obliteration of the words “payable in account” shall be deemed not to have taken place.

4. The drawee who does not observe the foregoing provisions is liable for resulting damage up to the amount of the check.

SECTION 6—RECOURSE FOR NON-PAYMENT

Article 43.

The holder may exercise his right of recourse against the endorsers, the drawer and the other parties liable if the check on presentment in due time is not paid, and if the refusal to pay is evidenced:

1. By a protest or any other formal instrument, or
2. By a declaration dated and written by the drawee specifying the day of presentment, or
3. By a dated declaration made by a clearing-house, stating that the check has been delivered in due time and has not been paid.

Article 44.

1. A protest shall be signed by an officer legally authorized to authenticate documents. As long as no such person has been designated by law he shall be designated by the National Bank of Cambodia. A protest must contain a copy of the check, or the original check may be annexed thereto, and specify the person at whose request the check is protested, the place and date of the protest, the cause or reason for protesting the check, the demand made and the answer given, if any, or the fact that the drawee cannot be found. It shall be made at the place of the refusal to pay or accept or at some other place in Cambodia situated within 10 kilometers of the place of presentment and refusal to pay or accept.

2. The protest or equivalent declaration must be made before the expiration of the limit of time for presentment.

3. If the check is presented on the last day of the limit of time, the protest may be drawn up or the equivalent declaration made on the first business day following.

4. After the expiration of the limits of time fixed for drawing up the protest for non-payment, the holder loses his right of recourse against parties liable on the check but may sue the drawer under the Law of contract and ordinary assignment, in an action governed by the Law of contract and assignment. Any recovery under this paragraph is reduced by damages for any injury caused to the drawer by the holder's failure to meet required limits of time.

Article 45.

1. The holder must give notice of non-payment to his endorser and to the drawer within the four business days which follow the day on which the protest is drawn up or the equivalent declaration is made or, in case of a stipulation “retour sans frais”, “retour sans protêt”, or any other equivalent expression, the day of presentment. Every endorser must, within the two business days following the day on which he receives notice, inform his endorser of the notice which he has received, mentioning the names and addresses of those who have given the previous notices and so on through the series until the drawer is reached. The periods mentioned above run from the receipt of the preceding notice.

2. When, in conformity with the preceding paragraph, notice is given to a person who has signed a check, the same notice must be given within the same limit of time to

his avaliseur.

3. When an endorser either has not specified his address or has specified it in an illegible manner, it is sufficient if notice is given to the endorser preceding him.

4. The person who must give notice may give it in any form whatever, even by simply returning the check.

5. He must prove that he has given notice within the limit of time prescribed. This time-limit shall be regarded as having been observed if a letter giving the notice has been posted within the said time.

6. A person who does not give notice within the limit of time prescribed above is liable for the damage, if any, caused by his negligence, but the amount of his liability shall not exceed the amount of the check.

Article 46.

1. The drawer , an endorser, or an avaliseur may, by the stipulation “retour sans frai,”, “retour sans protêt”, or any other equivalent expression written on the instrument and signed, release the holder from having a protest drawn up or an equivalent declaration made in order to exercise his right of recourse.

2. This stipulation does not release the holder from presenting the check within the prescribed limit of time, or from giving the requisite notices. The burden of proving the non-observance of the limit of time lies on the person who seeks to set it up against the holder.

3. If the stipulation is written by the drawer, it is operative in respect of all persons who have signed the check; if it is written by an endorser or an avaliseur, it is operative only in respect of such endorser or avaliseur. If, in spite of the stipulation written by the drawer, the holder has the protest drawn up or the equivalent declaration made, he must bear the expenses thereof. When the stipulation emanates from an endorser or avaliseur, the costs of the protest or equivalent declaration, if drawn up or made, may be recovered from all the persons who have signed the check.

Article 47.

1. All the persons liable on a check are jointly and severally bound to the holder.

2. The holder has the right to proceed against all these persons individually or collectively without being compelled to observe the order in which they have become bound.

3. The same right is possessed by any person signing the check who has taken it up and paid it.

4. Proceedings against one of the parties liable do not prevent proceedings against the others, even though such other parties may be subsequent to the party first proceeded against.

Article 48. The holder may claim from the party against whom he exercises his right of recourse:

1. The unpaid amount of the check;

2. Interest at a rate determined by the National Bank of Cambodia as from the date of presentment;

3. The expenses of the protest or equivalent declaration, and of the notices given as well as other expenses.

Article 49. A party who takes up and pays a check can recover from the parties liable to him:

1. The entire sum which he has paid;

2. Interest on the said sum calculated at a rate determined by the National Bank of Cambodia, as from the day on which he made payment;

3. Any expenses which he has incurred

Article 50.

1. Every party liable against whom a right of recourse is, or may be, exercised, can require against payment, that the check shall be given up to him with the protest or equivalent declaration and a receipted account.

2. Every endorser who has taken up and paid a check may cancel his own endorsement and those of subsequent endorsers.

Article 51.

1. Should the presentment of the check or the drawing up of the protest or the making of the equivalent declaration within the prescribed limits of time be prevented by an insurmountable obstacle (vis major), these limits of time shall be extended.

2. The holder is bound to give notice without delay of the case of vis major to his endorser and to make a dated and signed declaration of this notice, on the check or on an allonge; in other respects, the provisions of Article 45 shall apply.

3. When vis major has terminated, the holder must without delay present the check for payment and, if need be, procure a protest to be drawn up or an equivalent declaration made.

4. If vis major continues to operate beyond fifteen days after the date on which the holder, even before the expiration of the time-limit for presentment, has given notice of vis major to his endorser, recourse may be exercised and neither presentment, not a protest nor an equivalent declaration, shall be necessary.

5. Facts which are purely personal to the holder or to the person whom he has entrusted with the presentment of the check or the drawing up of the protest or the making of the equivalent declaration are not deemed to constitute cases of vis major.

6. Liability on a check that has been lost or destroyed may be enforced only against security provided by the party enforcing the check, which to the satisfaction of the court indemnifies the party liable on it against any claim of any other person on the check if it reaches a holder who acquires it otherwise than in bad faith or gross negligence.

SECTION 7- CHECK COLLECTION

Article 52.

1. Where a check is delivered to a banker for deposit to the credit of the customer and the banker credits him with the amount of the check, the banker acquires all the rights and powers of a holder of the check.

2. Unless otherwise agreed, credit so posted to the account is provisional, and the banker may debit the account or shall otherwise have recourse from the customer if the check is not paid. Unless otherwise agreed, any withdrawal of such provisional credit is at the banker's sole discretion and subject to charge-back or recourse from the customer if the check is not paid.

3. Regardless of the lack of any defect, restriction or limitation in, or form or type of, customer's endorsement, the banker's rights under paragraph 1 are:

i. As if he is the possessor of an endorsable check under Article 22, and

ii. Notwithstanding anything to the contrary in Article 26 where it otherwise applies.

Article 53.

The delivery of a check to a banker for collection is a payment order governed by Chapter V of this Law. In case of an inconsistency with respect to a check between a provision of Chapter V of this Law and a provision of this Chapter, this Chapter prevails.

SECTION 8—ALTERATIONS

Article 54. In case of alteration of the text of a check, parties who have signed subsequent to the alteration are bound according to the terms of the altered text; parties who have signed before the alteration are bound according to the terms of the original text.

SECTION 9—LIMITATION OF ACTIONS OF RECOURSE

Article 55.

1. Actions of recourse by the holder against the endorsers, the drawer and the other parties liable are barred after six months as from the expiration date of the limit of time fixed for presentment.

2. Actions of recourse by the different parties liable for the payment of a check against other such parties are barred after six months as from the day on which the party liable has paid the check or the day on which he was sued thereon.

Article 56. Interruption of the period of limitation under Article 55 is only effective against the person in respect of whom the period has been interrupted.

SECTION 10—TIME CALCULATIONS

Article 57.

1. The presentment or protest of a check may only take place on a business day.

2. When the last day of the limit of time prescribed by the Law for performing any act relating to a check, and particularly for the presentment or for the drawing up of a protest or the making of an equivalent declaration, is a legal holiday, the limit of time is extended until the first business day which follows the expiration of that time. Immediate holidays are included in computing limits of time.

Article 58. The limits of time stipulated in the present Chapter shall not include the day on which the period commences.

Article 59. No days of grace, whether legal or judicial, are permitted.

CHAPTER III—BILLS OF EXCHANGE

SECTION 1—ISSUE AND FORM OF A BILL OF EXCHANGE

Article 60. A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay a determinate sum of money to, or to the order of, a specified person, or to bearer. It must be payable at a maturity and conform to all requirements as provided by this Chapter.

Article 61. A bill of exchange is a credit instrument. It may be written in Khmer or any other language and must contain:

- The term **"bill of exchange"** or **"draft"** inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
- An unconditional order to pay a determinate sum of money;
- The name of the person who is to pay (drawee);
- A statement of the time of payment;
- A statement of the place where payment is to be made;
- The name of the person to whom or to whose order payment is to be made;
- A statement of the date and of the place where the bill is issued;
- The signature of the person who gives the order on the bill (drawer).

Article 62. An instrument in which any of the requirements mentioned in the preceding article is wanting is invalid as a bill of exchange, except in the cases specified in the following paragraphs:

1. A bill of exchange in which the time of payment is not specified is deemed to be payable at sight.

2. In default of special mention, the place specified beside the name of the drawee is deemed to be the place of payment, and at the same time the place of the domicile of the drawee.

3. A bill of exchange, which does not mention the place of its issue, is deemed to have been drawn in the place mentioned beside the name of the drawer.

4. A bill of exchange may be drawn payable to bearer. A bill of exchange which does not contain the name of the person to whom or to whose order payment is to be made is deemed to be made payable to bearer.

Article 63. A bill of exchange may be drawn payable to drawer's order. It may be drawn on the drawer himself or for account of a third person.

Article 64. A bill of exchange may be payable at the domicile of a third person either in the locality where the drawee has his domicile or in another locality.

Article 65.

1. When a bill of exchange is payable at sight, or at a fixed period after sight, the drawer may stipulate that the sum payable shall bear interest. In the case of any other bill of exchange, this stipulation is deemed not to be written (non écrite).

2. The rate of interest must be specified in the bill; in default of such specification, the stipulation shall be deemed not to be written (non écrite).

3. Interest runs from the date of the bill of exchange, unless some other date is specified.

Article 66.

1. When the sum payable by a bill of exchange is expressed in words and also in figures, and there is a discrepancy between the two, the sum denoted by the words is the amount payable.

2. Where the sum payable by a bill of exchange is expressed more than once in words or more than once in figures, and there is a discrepancy, the smaller sum is the sum payable

Article 67. If a bill of exchange bears signatures of persons incapable of binding themselves by a bill of exchange, or forged signatures, or signatures of fictitious persons, or signatures which for any other reason cannot bind the persons who signed the bill of exchange or on whose behalf it was signed, the obligations of the other persons who signed it are nonetheless valid.

Article 68. Whosoever puts his signature on a bill of exchange as representing a person for whom he had no power to act is bound himself as a party to the bill and, if he pays, has the same rights as the person for whom he purported to act. The same rule applies to a representative who has exceeded his powers.

Article 69.

1. The drawer guarantees both acceptance and payment.

2. He may release himself from guaranteeing acceptance but may not release himself from guaranteeing payment.

Article 70. If a bill of exchange which was incomplete when issued has been completed otherwise than in accordance with the agreements entered into, the non-observance of such agreements may not be set up against the holder unless he has acquired the bill of exchange in bad faith or, in acquiring it, has been guilty of gross negligence.

SECTION 2—ENDORSEMENT

Article 71.

1. A bill of exchange payable to a specified person, with or without the express clause “to order”, may be transferred by means of endorsement.

2. When the drawer has inserted in a bill of exchange payable to a specified person the words “not to order” or an equivalent expression, the instrument can only be transferred according to the form, and with the effects of an ordinary assignment.

3. A bill of exchange may be endorsed even in favor of the drawee, whether he has accepted or not, or of the drawer, or of any other party to the bill. These persons may re-endorse the bill.

Article 72.

1. An endorsement must be unconditional. Any condition to which it is made subject is deemed not to be written (non écrite).

2. A partial endorsement is null and void.

3. An endorsement “to bearer” is equivalent to an endorsement in blank.

Article 73.

1. An endorsement must be written on the back of the bill of exchange or on a slip affixed thereto (allonge). It must be signed by the endorser.

2. The endorsement may leave the beneficiary unspecified or may consist simply of the signature of the endorser (endorsement in blank).

Article 74.

1. An endorsement transfers all the rights arising out of a bill of exchange.

2. If the endorsement is in blank, the holder may:

a. Fill up the blank either with his own name or with the name of some other person;

b. Re-endorse the bill in blank, or to some other person;

c. Transfer the bill to a third person without filling up the blank, and without endorsing it.

Article 75.

1. In the absence of any contrary stipulation, the endorser guarantees acceptance and payment.

2. He may prohibit any further endorsement; in this case, he gives no guarantee to the persons to whom the bill is subsequently endorsed.

3. An endorsement on a bill of exchange to bearer renders the endorser liable in accordance with the provisions governing the right of recourse; however, it does not convert the instrument into a bill of exchange to order.

Article 76.

1. The possessor of a bill of exchange is deemed to be the lawful holder if he establishes his title to the bill through an uninterrupted series of endorsements, even if the last endorsement is in blank. In this connection, cancelled endorsements are deemed not to be written (non écrite). When an endorsement in blank is followed by another endorsement, the person who signed this last endorsement is deemed to have acquired the bill by the endorsement in blank.

2. Where a person has been dispossessed of a bill of exchange in any manner whatsoever, the holder who establishes his right thereto in the manner mentioned in the preceding paragraph or of a bill of exchange payable to bearer is not bound to give up the bill unless he has acquired it in bad faith, or unless in acquiring it he has been guilty of gross negligence.

Article 77.

1. Persons sued on a bill of exchange cannot set up against the holder defenses founded on their personal relations with the drawer or with previous holders, unless the holder, in acquiring the bill, has knowingly acted to the detriment of the debtor.

2. Paragraph 1 does not apply to a bill of exchange made payable to a specified person, in which the words “not to order” or any other equivalent expression have been inserted.

Article 78.

1. When an endorsement contains the statements “value in collection” (“valeur en recouvrement”), “for collection” (“pour encaissement”), “by procuration” (“par procuration”) or any other phrase implying a simple mandate, the holder may exercise all rights arising out of the bill of exchange, but he can only endorse it in his capacity as agent.

2. In this case, the parties liable can only set up against the holder defenses which could be set up against the endorser.

3. The mandate contained in an endorsement by procuration does not terminate by reason of the death of the party giving the mandate or by reason of his becoming legally incapable.

4. The delivery of a bill of exchange to a banker for collection is a payment order governed by Chapter V of this Law. In case of an inconsistency with respect to a bill of exchange between a provision of Chapter V of this Law and a provision of this Chapter, this Chapter prevails.

Article 79.

1. When an endorsement contains the statements “value in security” (“valeur en

garantie"), "value in pledge" ("valeur en gage"), or any other statement implying a pledge, the holder may exercise the rights arising out of the bill of exchange, but an endorsement by him has the effect only of an endorsement by an agent.

2. The parties liable cannot set up against the holder defenses founded on their personal relations with the endorser, unless the holder, in receiving the bill, has knowingly acted to the detriment of the debtor.

Article 80.

1. An endorsement after protest or after equivalent declaration or after the expiration of the limit of time for presentment

   i. Operates only as an ordinary assignment; and
   ii. Does not operate to give rights under Articles 76 and 77.

2. Failing proof to the contrary, an undated endorsement is deemed to have been placed on the bill of exchange prior to the protest or equivalent declaration or prior to the expiration of the limit of time referred to in the preceding paragraph.

SECTION 3—ACCEPTANCE

Article 81. Until maturity, a bill of exchange may be presented to the drawee for acceptance at his domicile, either by the holder or by a person who is merely in possession of the bill.

Article 82.

1. In any bill of exchange, the drawer may stipulate that it shall be presented for acceptance with or without fixing a limit of time for presentment.

2. Except in the case of a bill payable at the address of a third party or in a locality other than that of the domicile of the drawee, or, except in the case of a bill drawn payable at a fixed period after sight, the drawer may prohibit presentment for acceptance.

3. He may also stipulate that presentment for acceptance shall not take place before a named date.

4. Unless the drawer has prohibited acceptance, every endorser may stipulate that the bill shall be presented for acceptance, with or without fixing a limit of time for presentment.

Article 83.

1. Bills of exchange payable at a fixed period after sight must be presented for acceptance within one year of their date.

2. The drawer may abridge or extend this period.

3. These periods may be abridged by the endorsers.

Article 84.

1. The drawee may demand that a bill shall be presented to him a second time on the day after the first presentment. Parties interested are not allowed to set up that this demand has not been complied with unless this request is mentioned in the protest.

2. The holder is not obliged to surrender to the drawee a bill presented for acceptance.

Article 85.

1. An acceptance is written on the bill of exchange. It is expressed by the word "accepted" or any other equivalent term. It is signed by the drawee. The simple signature of the drawee on the face of the bill constitutes an acceptance.

2. When the bill is payable at a certain time after sight, or when it must be presented for acceptance within a certain limit of time in accordance with a special stipulation, the acceptance must be dated as of the day when the acceptance is given, unless the holder requires that it shall be dated as of the day of presentment. If it is undated, the holder, in order to preserve his right of recourse against the endorsers and the drawer, must authenticate the omission by a protest drawn up within the proper time.

Article 86.

1. An acceptance is unconditional, but the drawee may restrict it to part of the sum payable.

2. Every other modification introduced by an acceptance into the tenor of the bill of exchange operates as a refusal to accept. Nevertheless, the acceptor is bound according to the terms of his acceptance as modifying the tenor of the bill of exchange.

Article 87.

1. When the drawer of a bill has indicated a place of payment other than the domicile of the drawee without specifying a third party at whose address payment must be made, the drawee may name such third party at the time of acceptance. In default of this indication, the acceptor is deemed to have undertaken to pay the bill himself at the place of payment.

2. If a bill is payable at the domicile of the drawee, the latter may in his acceptance indicating an address in the same place where payment is to be made.

Article 88.

1. A bill of exchange does not operate as an assignment of funds in the hands of the drawee available for payment thereof, and the drawee of a bill of exchange who does not accept is not liable on the bill of exchange.

2. By accepting, the drawee undertakes to pay the bill of exchange at its maturity.

3. In default of payment, the holder, even if he is the drawer, has a direct action on the bill of exchange against the acceptor for all that can be demanded in accordance with Art. 106-107.

Article 89.

1. Where the drawee who has put his acceptance on a bill has cancelled it before restoring the bill, acceptance is deemed to be refused. Failing proof to the contrary, the cancellation is deemed to have taken place before the bill was restored.

2. Nevertheless, if the drawee has notified his acceptance in writing to the holder or to any party who has signed the bill, he is liable to such parties according to the terms of his acceptance.

SECTION 4— "AVALS"

Article 90.

1. Payment of a bill of exchange may be guaranteed by an "aval" as to the whole or part of its amount.

2. This guarantee may be given by a third person or even by a person who has signed as a party to the bill.

Article 91.

1. An "aval" may be given either on the bill itself or on an "allonge."
2. It is expressed by the words "good as aval" ("bon pour aval") or by any other equivalent formula. It is signed by the giver of the "aval."
3. It is deemed to be constituted by the mere signature of the giver of the "aval" placed on the face of the bill, except in the case of the signature of the drawee or of the drawer.
4. An "aval" must specify for whose account it is given. In default of this, it is deemed to be given for the drawer.

Article 92.

1. The giver of an "aval" is bound in the same manner as the person for whom he has become guarantor.

2. His undertaking is valid even when the liability which he has guaranteed is inoperative for any reason other than defect of form.

3. He has, when he pays a bill of exchange, the rights arising out of the bill of exchange against the person guaranteed and against those who are liable to the latter on the bill of exchange.

SECTION 5—MATURITY

Article 93.

1. A bill of exchange may be drawn payable:

   a. At sight;

   b. At a fixed period after sight;

   c. At a fixed period after date; or

   d. At a fixed date.

2. A bill of exchange may be drawn payable by stated installments, each at a fixed date, with a provision that in default in payment of any installment the entire unpaid balance shall become due;

3. Bills of exchange at other maturities are null and void.

Article 94.

1. A bill of exchange at sight is payable on presentment. It must be presented for payment within a year of its date of issue. The drawer may abridge or extend this period. These periods may be abridged by the endorsers.

2. The drawer may prescribe that a bill of exchange payable at sight must not be presented for payment before a named date. In this case, the period for presentment begins from the said date.

Article 95.

1. The maturity of a bill of exchange payable at a fixed period after sight is determined either by the date of the acceptance or by the date of the protest.

2. In the absence of the protest, an undated acceptance is deemed, so far as regards the acceptor, to have been given on the last day of the limit of time for presentment for acceptance.

Article 96.

1. Where a bill of exchange is drawn payable at one or more months after date or after sight, the bill matures on the corresponding date of the month when payment must be made. If there be no corresponding date, the bill matures on the last day of this month.

2. When a bill of exchange is drawn payable at one or more months and a half after date or sight, entire months must first be calculated.

3. If the maturity is fixed at the commencement, in the middle, or at the end of the month, the first, fifteenth or last day of the month is to be understood.

4. The expression “eight days” or “fifteen days” indicates not one or two weeks, but a period of eight or fifteen actual days.

5. The expression “halt month” means a period of fifteen days

Article 97.

1. When a bill of exchange is payable on a fixed day in a place where the calendar is different from the calendar in the place of issue, the day of maturity is deemed to be fixed according to the calendar of the place of payment.

2. When a bill of exchange drawn between two places having different calendars is payable at a fixed period after date, the day of issue is referred to the corresponding day of the calendar in the place of payment, and the maturity is fixed accordingly.

3. The time for presenting bills of exchange is calculated in accordance with the rules of the preceding paragraph.

4. These rules do not apply if a stipulation in the bill or even the simple terms of the instrument indicate an intention to adopt some different rule.

SECTION 6—PAYMENT

Article 98.

1. The holder of a bill of exchange payable on a fixed day or at a fixed period after date or after sight must present the bill for payment either on the day on which it is payable or on one of the two business days which follow.

2. The presentment of a bill of exchange either at or through a clearing-house, or electronically, as provided by agreement or regulations issued by the National Bank of Cambodia, is an effective presentment for payment.

Article 99.

1. The drawee that pays a bill of exchange may require that it shall be given up to him receipted by the holder.

2. The holder may not refuse partial payment.

3. In case of partial payment the drawee may require that the partial payment shall be mentioned on the bill and that a receipt shall be given to him.

Article 100. When a bill of exchange is not presented for payment within the limit of time fixed by Article 98, every debtor is authorized to deposit the amount with the competent authority, as designated by the National Bank of Cambodia, at the charge, risk and peril of the holder.

Article 101

1. The holder of a bill of exchange cannot be compelled to receive payment thereof before maturity.

2. The drawee who pays before maturity does so at his own risk and peril.

3. He who pays at maturity is validly discharged, unless he has been guilty of fraud or gross negligence. He is bound to verify the regularity of the series of endorsements, but not the signature of the endorsers.

Article 102.

1. When a bill of exchange is drawn payable in a currency which is not that of the place of payment, the sum payable may be paid in the currency of the country, according to its value on the date of maturity. If the debtor is in default, the holder may at his option demand that the amount of the bill be paid in the currency of the country according to the rate on the day of maturity or the day of payment.

2. The usage of the place of payment determines the value of foreign currency. Nevertheless, the drawer may stipulate that the sum payable shall be calculated according to a rate expressed in the bill.

3. The foregoing rules shall not apply to a bill of exchange (i) drawn payable in a currency which is accepted in Cambodia, or (ii) in which the drawer has stipulated that payment must be made in a certain specified foreign currency. In each such case the bill of exchange shall be paid in the stated currency.

4. If the amount of the bill of exchange is specified in a currency having the same denomination, but a different value in the country of payment and the country of issue or any other country, unless indicated otherwise, reference in the bill of exchange is deemed to be made to the currency of the country of payment. Where the currency of the country of payment does not have the same denomination, reference is deemed to be made to a currency which is widely accepted in the place of payment.

5. Where a bill of exchange is payable at the domicile of a banker the designation of an account to be debited with the amount payable is deemed to be an authorization to pay in the currency of the account.

SECTION 7—RECOURSE FOR NON-ACCEPTANCE OR NON-PAYMENT

Article 103. The holder may exercise his right of recourse against the endorsers, the drawer, and the other parties liable:

1. At maturity, if payment has not been made, or,

2. Even before maturity:

i. If there has been total or partial refusal to accept;

ii. In the event of the bankruptcy (faillite) of the drawee, whether he has accepted or not, or in the event of a stoppage of payment on his part, even when not declared by a judgment, or where execution has been levied against his assets without result;

iii. In the event of the bankruptcy (faillite) of the drawer of a non-acceptable bill.

Article 104.

1. Default of acceptance or of payment must be evidenced by an authentic act (protest for non-acceptance or non-payment).

2. Protest for non-acceptance must be made within the limit of time fixed for presentment for acceptance. If, in the case contemplated by Article 84, paragraph 1, the first presentment takes place on the last day of that time, the protest may nevertheless be drawn up on the next day.

3. Protest for non-payment of a bill of exchange payable on a fixed day or at a fixed period after date or sight must be made on one of the two business days following the day on which the bill is payable. In the case of a bill payable at sight, the protest must be drawn up under the conditions specified in the foregoing paragraph for the drawing up of a protest for non-acceptance.

4. Protest for non-acceptance dispenses with presentment for payment and protest for non-payment.

5. If there is a stoppage of payment on the part of the drawee, whether he has accepted or not, or if execution has been levied against his assets without result, the holder cannot exercise his right of recourse until after presentment of the bill to the drawee for payment and after the protest has been drawn up.

6. If the drawee, whether he has accepted or not, is declared bankrupt (faillite déclarée), or in the event of the declared bankruptcy of the drawer of a non-acceptable bill, the production of the judgment declaring the bankruptcy suffices to enable the holder to exercise his right of

recourse.

7. A protest shall be signed by an officer legally authorized to authenticate documents. As long as no such person has been designated by law he shall be designated by the National Bank of Cambodia. A protest must contain a copy of the bill of exchange, or the original bill of exchange may be annexed thereto, and specify the person at whose request the bill of exchange is protested, the place and date of the protest, the cause or reason for protesting the bill of exchange, the demand made and the answer given, if any, or the fact that the drawee or acceptor cannot be found. It shall be made at the place of the refusal to pay or accept or at some other place in Cambodia situated within 10 kilometers of the place of presentment and refusal to pay or accept.

8. A protest may be constituted by the signed written drawee's declaration specifying the information set out in the previous paragraph.

Article 105.

1. The holder must give notice of non-acceptance or non-payment to his endorser, to the drawer and to any avaliseur of the acceptor within the four business days which follow the day for protest or, in case of a stipulation "retour sans frais," "retour sans protêt," or any other equivalent expression, the day for presentment. Every endorser must, within the two business days following the day on which he receives notice, notify his endorser of the notice he has received, mentioning the names and addresses of those who have given the previous notices, and so on through the series until the drawer is reached. The periods mentioned above run from the receipt of the preceding notice.

2. When, in conformity with the preceding paragraph, notice is given to a person who has signed a bill of exchange, the same notice must be given within the same limit of time to his avaliseur.

3. Where an endorser either has not specified his address or has specified it in an illegible manner, it is sufficient that notice should be given to the preceding endorser.

4. A person who must give notice, may give it in any form whatever, even by simply returning the bill of exchange.

5. He must prove that he has given notice within the time allowed. This time-limit shall be regarded as having been observed if a letter giving the notice has been posted within the prescribed time.

6. A person who does not give notice within the limit of time mentioned above does not forfeit his rights. He is responsible for the injury, if any, caused by his negligence, but the damages shall not exceed the amount of the bill of exchange.

Article 106.

1. The drawer, an endorser, or a person guaranteeing payment by aval (avaliseur) may, by the stipulation "retour sans frais," "retour sans protêt," or any other equivalent expression written on the instrument and signed, release the holder from having a protest of non-acceptance or non-payment drawn up in order to exercise his right of recourse.

2. This stipulation does not release the holder from presenting the bill within the prescribed time, or from the notices he has to give. The burden of proving the non-observance of the limits of time lies on the person who seeks to set it up against the holder.

3. If the stipulation is written by the drawer, it is operative in respect of all persons

who have signed the bill; if it is written by an endorser or an avaliseur, it is operative only in respect of such endorser or avaliseur. If, in spite of the stipulation written by the drawer, the holder has the protest drawn up, he must bear the expenses thereof. When the stipulation emanates from an endorser or avaliseur, the costs of the protest, if one is drawn up, may be recovered from all the persons who have signed the bill.

Article 107.

1. All drawers, acceptors, endorsers or guarantors by aval of a bill of exchange are jointly and severally liable to the holder.

2. The holder has the right of proceeding against all these persons individually or collectively without being required to observe the order in which they have become bound.

3. The same right is possessed by any person signing the bill who has taken it up and paid it

4. Proceedings against one of the parties liable do not prevent proceedings against the others, even though they may be subsequent to the party first proceeded against.

Article 108.

1. The holder may recover from the person against whom he exercises his right of recourse:

a. The amount of the unaccepted or unpaid bill of exchange with interest, if interest has been stipulated for;

b. Interest at a rate determined by the National Bank of Cambodia from the date of maturity;

c. The expenses of protest and of the notices given as well as other expenses.

2. If the right of recourse is exercised before maturity, the amount of the bill shall be subject to a discount. This discount shall be calculated according to the official rate of discount (bank-rate) ruling on the date when recourse is exercised at the place of domicile of the holder.

Article 109. A party who takes up and pays a bill of exchange can recover from the parties liable to him:

1. The entire sum which he has paid;

2. Interest on the said sum calculated at a rate determined by the National Bank of Cambodia, starting from the day when he made payment;

3. Any expenses which he has incurred.

Article 110.

1. Every party liable against whom a right of recourse is or may be exercised can require against payment that the bill shall be given up to him with the protest and a receipted account.

2. Every endorser who has taken up and paid a bill of exchange may cancel his own endorsement and those of subsequent endorsers.

Article 111. In the case of the exercise of the right of recourse after a partial acceptance, the party who pays the sum in respect of which the bill has not been accepted can require that this payment shall be specified on the bill and that he shall be given a receipt therefore. The holder must also give him a certified copy of the bill, together with the protest, in order to enable subsequent recourse to be exercised.

Article 112.

1. Every person having the right of recourse may, in the absence of agreement to the contrary, reimburse himself by means of a fresh bill (redraft) to be drawn at sight on one of the parties liable to him and payable at the domicile of that party.

2. The redraft includes, in addition to the sums mentioned in Articles 108 and 109, brokerage and the cost of stamping the redraft.

3. If the redraft is drawn by the holder, the sum payable is fixed according to the rate for a sight bill drawn at the place where the original bill was payable upon the party liable at the place of his domicile. If the redraft is drawn by an endorser, the sum payable is fixed according to the rate for a sight bill drawn at the place where the drawer of the redraft is domiciled upon the place of domicile of the party liable.

Article 113.

1. The holder loses his rights of recourse against the endorsers, against the drawer and against the other parties liable, with the exception of the acceptor, after the expiration of the limits of time fixed:

a. For the presentment of a bill of exchange drawn at sight or at a fixed period after sight;

b. For drawing up the protest for non-acceptance or non-payment;

c. For presentment for payment in the case of a stipulation “retour sans frais,” “retour sans protêt,” or any other equivalent expression.

2. In default of presentment for acceptance within the limit of time stipulated by the drawer, the holder loses his right of recourse for non-payment, as well as for non-acceptance, unless it appears from the terms of the stipulation that the drawer only meant to release himself from the guarantee of acceptance.

3. If the stipulation for a limit of time for presentment is contained in an endorsement, the endorser alone can avail himself of it.

4. The holder who has lost his right of recourse under this Article may sue the drawer under the Law of contract and ordinary assignment, in an action governed by the Law of contract and assignment. Any recovery under this paragraph is reduced by damages for any injury caused to the drawer by the holder's failure to meet required limits of time.

Article 114.

1. Should the presentment of the bill of exchange or the drawing up of the protest within the prescribed limits of time be prevented by an insurmountable obstacle (vis major), these limits of time shall be extended.

2. The holder is bound to give notice without delay of the case of vis major to his

endorser and to specify this notice, which he must date and sign, on the bill or on an allonge; in other respects the provisions of Article 105 shall apply.

3. When vis major has terminated, the holder must without delay present the bill of exchange for acceptance or payment and, if need be, draw up the protest.

4. If vis major continues to operate beyond thirty days after maturity, recourse may be exercised, and neither presentment nor the drawing up of a protest shall be necessary.

5. In the case of bills of exchange drawn at sight or at a fixed period after sight, the time-limit of thirty days shall run from the date on which the holder, even before the expiration of the time for presentment, has given notice of vis major to his endorser. In the case of bills of exchange drawn at a certain time after sight, the above time-limit of thirty days shall be added to the period after sight specified in the bill of exchange.

6. Facts which are purely personal to the holder or to the person whom he has entrusted with the presentment of the bill or drawing up of the protest are not deemed to constitute cases of vis major.

7. Liability on a bill of exchange that has been lost or destroyed may be enforced only against security provided by the party enforcing the bill of exchange, which to the satisfaction of the court, indemnifies the party liable on it against any claim of any other person on the bill of exchange if it reaches a holder who acquires it otherwise than in bad faith or gross negligence.

SECTION 8—INTERVENTION FOR HONOR

Article 115.

1. The drawer, an endorser, or a person giving an aval may specify a person who is to accept or pay in case of need.

2. A bill of exchange may, subject as hereinafter mentioned, be accepted or paid by a person who intervenes for the honor of any debtor against whom a right of recourse exists.

3. The person intervening may be a third party, even the drawee, or, save the acceptor, a party already liable on the bill of exchange.

4. The person intervening is bound to give, within two business days, notice of his intervention to the party for whose honor he has intervened. In default, he is responsible for the injury, if any, due to his negligence, but the damages shall not exceed the amount of the bill of exchange.

Article 116.

1. There may be acceptance by intervention in all cases where the holder has a right of recourse before maturity on a bill which has not yet been accepted.

2. When the bill of exchange indicates a person who is designated to accept or pay it as a referee in case of need at the place of payment, the holder may not exercise his rights of recourse before maturity against the person naming such referee and against subsequent signatories, unless he has presented the bill of exchange to the referee and until, if acceptance is refused by the latter, this refusal has been authenticated by a protest.

3. In other cases of intervention the holder may refuse an acceptance by intervention. Nevertheless, if he allows it, he loses his right of recourse before maturity against the person on whose behalf such acceptance was given and against subsequent signatories.

Article 117. Acceptance by intervention is specified on the bill of exchange. It is signed by the person intervening. It mentions the person for whose honor it has been given and, in default of such mention, the acceptance is deemed to have been given for the honor of the drawer.

Article 118.

1. The acceptor by intervention is liable to the holder and to the endorsers, subsequent to the party for whose honor he intervened, in the same manner as such party.

2. Notwithstanding an acceptance by intervention, the party for whose honor it has been given and the parties liable to him may require the holder, in exchange for payment of the sum mentioned in Article 108, to deliver the bill, the protest, and a receipted account, if any.

Article 119.

1. Payment by intervention may take place in all cases where, either at maturity or before maturity, the holder has a right of recourse on the bill.

2. Payment must include the whole amount payable by the party for whose honor it is made.

3. It must be made at the latest on the day following the last day allowed for drawing up the protest for non-payment.

Article 120.

1. If a bill of exchange has been accepted by persons intervening who are domiciled in the place of payment, or if persons domiciled there have been named as referees in case of need, the holder must present the bill to all these persons and, if necessary, have a protest for non-payment drawn up at the latest on the day following the last day allowed for drawing up the protest.

2. In default of protest within this limit of time, the party who has named the referee in case of need, or for whose account the bill has been accepted, and the subsequent endorsers, are discharged.

Article 121. The holder who refuses payment by intervention loses his right of recourse against any persons who would have been discharged thereby.

Article 122.

1. Payment by intervention must be authenticated by a receipt given on the bill of exchange mentioning the person for whose honor payment has been made. In default of such mention, payment is deemed to have been made for the honor of the drawer.

2. The bill of exchange and the protest, if any, must be given up to the person paying by intervention.

Article 123.

1. The person paying by intervention acquires the rights arising out of the bill of exchange against the party for whose honor he has paid and against persons who are liable to the latter on the bill of exchange. Nevertheless, he cannot re-endorse the bill of exchange.

2. Endorsers subsequent to the party for whose honor payment has been made are discharged.

3. In case of competition for payment by intervention, the payment which affects the greater number of releases has the preference. Any person, who with knowledge of the facts, intervenes in a manner contrary to this rule, loses his right of recourse against those who would have been discharged.

SECTION 9 – PARTS OF A SET AND COPIES

Article 124.

1. Where a bill is drawn in a set of two or more identical parts, with each part of the set being numbered and containing a reference to the other parts, the whole of the parts constitute one bill.

2. The acceptance and each endorsement of a bill drawn in a set may be written on any part, but to be liable on the whole bill and not on any separate part, each such acceptance or endorsement must be written on one part only.

3. The drawer who signed each part is nevertheless liable on the whole bill and not on each part.

4. A party who has sent one part for acceptance must indicate on the other parts the name of the person in whose hands this part is to be found. That person is bound to surrender it to the lawful holder of another part. If he refuses, the holder cannot exercise his right of recourse until he has had a protest drawn up specifying:

a. That the part sent for acceptance has not been given up to him on his demand;

b. That acceptance or payment could not be obtained on another of the parts.

Article 125.

1. Where the holder of a set endorses two or more parts to different persons:

a. He is liable on every such part, and every endorser subsequent to him is liable on the part he has himself endorsed as if the parts were separate bills.

b. The lawful holder of a part whose title first accrues is entitled to recover payment received by any person paid by the drawer or the drawee who has not accepted the bill.

2. Where the drawee accepts more than one part and such accepted parts get into the hands of different lawful holders, he is liable on every such part as if it were a separate bill.

Article 126.

1. When the acceptor of a bill drawn in a set pays it without requiring the part bearing his acceptance to be delivered up to him, and that part at maturity is outstanding

in the hands of a lawful holder, he is liable to the holder thereof.

2. The drawer of a bill drawn in a set is discharged when he pays any part duly presented to him.

3. Subject to this Article and the preceding Article, where any one part of a bill drawn in a set is discharged by payment or otherwise, the whole bill is discharged.

Article 127.

1. Every holder of a bill of exchange has the right to make copies of it.

2. A copy must reproduce the original exactly, with the endorsements and all other statements to be found therein. It must specify where the copy ends.

3. It may be endorsed and guaranteed by aval in the same manner and with the same effects as the original.

Article 128.

1. A copy must specify the person in possession of the original instrument. The latter is bound to hand over the said instrument to the lawful holder of the copy.

2. If he refuses, the holder may not exercise his right of recourse against the persons who have endorsed the copy or guaranteed it by aval until he has had a protest drawn up specifying that the original has not been given up to him on his demand.

3. Where the original instrument, after the last endorsement before the making of the copy contains a clause "commencing from here an endorsement is only valid if made on the copy" or some equivalent formula, a subsequent endorsement on the original is null and void.

SECTION 10—ALTERATIONS

Article 129. In case of alteration of the text of a bill of exchange, parties who have signed subsequent to the alteration are bound according to the terms of the altered text; parties who have signed before the alteration are bound according to the terms of the original text.

SECTION 11—LIMITATION OF ACTIONS OF RECOURSE

Article 130.

1. All actions of recourse arising out of a bill of exchange against the acceptor are barred after three years, reckoned from the date of maturity.

2. Actions of recourse by the holder against the endorsers and against the drawer are barred after one year from the date of a protest drawn up within proper time, or from the date of maturity where there is a stipulation "retour sans frais," "retour sans protêt," or any other equivalent expression.

3. Actions of recourse by endorsers against each other and against the drawer are barred after six months, reckoned from the day when the endorser took up and paid the bill or from the day when he himself was sued.

Article 131. Interruption of the period of limitation is only effective against the person in respect of whom the period has been interrupted.

SECTION 12—TIME CALCULATIONS

Article 132.

1. Payment of a bill of exchange which falls due on a legal holiday (jour férié légal) cannot be demanded until the next business day. So too, all other proceedings relating to a bill of exchange, in particular presentment for acceptance and protest, can only be taken on a business day.

2. Where any of these proceedings must be taken within a certain limit of time the last day of which is a legal holiday (jour férié légal), the limit of time is extended until the first business day which follows the expiration of that time. Intermediate holidays (jours fériés) are included in computing limits of time.

Article 133. Legal or contractual limits of time do not include the day on which the period commences.

Article 134. No days of grace, whether legal or judicial, are permitted.

CHAPTER IV—PROMISSORY NOTES

SECTION 1— ISSUE AND FORM OF A PROMISSORY NOTE

Article 135. A promissory note is an unconditional promise in writing made by one person to another signed by the maker, undertaking to pay, a determinate sum of money to, or to the order of, a specified person or to bearer. It must be payable at a maturity and conform to all requirements as provided by this Chapter.

Article 136. A promissory note is a credit instrument. It may be written in Khmer or any other language and must contain:

- The term **"promissory note"** inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
- An unconditional promise to pay a determinate sum of money;
- A statement of the time of payment;
- A statement of the place where payment is to be made;
- The name of the person to whom or to whose order payment is to be made;
- A statement of the date and of the place where the promissory note is issued;
- The signature of the person who makes the promise on the instrument (maker).

Article 137. An instrument in which any of the requirements mentioned in the preceding article are wanting is invalid as a promissory note except in the case specified in the following paragraphs:

1. A promissory note in which the time of payment is not specified is deemed to

be payable at sight.

2. In default of special mention, the place where the instrument is made is deemed to be the place of payment and at the same time the place of the domicile of the maker.

3. A promissory note which does not mention the place of its issue is deemed to have been made in the place mentioned beside the name of the maker.

4. A promissory note may be payable to bearer. A promissory note which does not contain the name of the person to whom or to whose order payment is to be made is deemed to be made payable to bearer.

Article 138. A promissory note may be payable at a place other than the maker's domicile, including at the domicile of a third person either in the locality where the maker has his domicile or in another locality.

Article 139.

1. When a promissory note is payable at sight, or at a fixed period after sight, the maker may stipulate that the sum payable shall bear interest. In the case of any other promissory note, this stipulation is deemed not to be written (non écrite).

2. The rate of interest must be specified in the promissory note; in default of such specification, the stipulation shall be deemed not to be written (non écrite).

3. Interest runs from the date of the promissory note, unless some other date is specified.

Article 140.

1. When the sum payable by a promissory note is expressed in words and also in figures, and there is a discrepancy between the two, the sum denoted by the words is the amount payable.

2. Where the sum payable by a promissory note is expressed more than once in words or more than once in figures, and there is a discrepancy, the smaller sum is the sum payable.

Article 141. If a promissory note bears signatures of persons incapable of binding themselves by a promissory note, or forged signatures, or signatures of fictitious persons, or signatures which for any other reason cannot bind the persons who signed the promissory note or on whose behalf it was signed, the obligations of the other persons who signed it are nonetheless valid.

Article 142. Whosoever puts his signature on a promissory note as representing a person for whom he had no power to act is bound himself as a party to the promissory note and, if he pays, has the same rights as the person for whom he purported to act. The same rule applies to a representative who has exceeded his powers.

Article 143. If a promissory note, which was incomplete when issued, has been completed otherwise than in accordance with the agreements entered into, the non-observance of such agreements may not be set up against the holder unless he has acquired the promissory not in bad faith or, in acquiring it, has been guilty of gross negligence.

SECTION 2— ENDORSEMENT

Article 144.

1. A promissory note made payable to a specified person, with or without the express clause “to order”, may be transferred by means of endorsement.

2. When the maker has inserted in a promissory note payable to a specified person the words “not to order” or an equivalent expression, the instrument can only be transferred according to the form, and with the effects of an ordinary assignment.

3. A promissory note may be endorsed even in favor of the maker, or of any other party to the promissory note. These persons may re-endorse it.

4. An instrument in the form of a promissory note payable to the maker's order is not a promissory note under this Chapter, unless it is endorsed by the maker.

Article 145.

1. An endorsement must be unconditional. Any condition to which it is made subject is deemed not to be written (non écrite).

2. A partial endorsement is null and void.

3. An endorsement “to bearer” is equivalent to an endorsement in blank.

Article 146.

1. An endorsement must be written on the back of the promissory note or on a slip affixed thereto (allonge). It must be signed by the endorser.

2. The endorsement may leave the beneficiary unspecified or may consist simply of the signature of the endorser (endorsement in blank).

Article 147.

1. An endorsement transfers all the rights arising out of a promissory note.

2. If the endorsement is in blank, the holder may:

   a. Fill up the blank either with his own name or with the name of some other person;

   b. Re-endorse the promissory note in blank, or to some other person;

   c. Transfer the promissory note to a third person without filling up the blank, and without endorsing it.

Article 148.

1. In the absence of any contrary stipulation, the endorser guarantees payment.

2. He may prohibit any further endorsement; in this case, he gives no guarantee to the persons to whom the promissory note is subsequently endorsed.

3. An endorsement on a promissory note to bearer renders the endorser liable in accordance with the provisions governing the right of recourse; however, it does not convert the instrument into a promissory note to order.

Article 149.

1. The possessor of a promissory note is deemed to be the lawful holder if he establishes his title to the promissory note through an uninterrupted series of endorsements, even if the last endorsement is in blank. In this connection, cancelled endorsements are deemed not to be written (non écrite). When an endorsement in blank is followed by another endorsement, the person who signed this last endorsement is deemed to have acquired the promissory note by the endorsement in blank.

2. Where a person has been dispossessed of a promissory note, in any manner whatsoever, the holder who establishes his right thereto in the manner mentioned in the preceding paragraph or of a promissory note payable to bearer is not bound to give up the promissory note unless he has acquired it in bad faith, or unless in acquiring it he has been guilty of gross negligence.

Article 150.

1. Persons sued on a promissory note cannot set up against the holder defenses founded on their personal relations with the maker or with previous holders, unless the holder, in acquiring the promissory note, has knowingly acted to the detriment of the debtor.

2. Paragraph 1 does not apply to a promissory note made payable to a specified person, in which the words “not to order” or any other equivalent expression have been inserted.

Article 151.

1. When an endorsement contains the statements “value in collection” (“valeur en recouvrement”), “for collection” (“pour encaissemet"), “by procuration” (“par procuration”) or any other phrase implying a simple mandate, the holder may exercise all rights arising out of the promissory note, but he can only endorse it in his capacity as agent.

2. In this case, the parties liable can only set up against the holder defenses which could be set up against the endorser.

3. The mandate contained in an endorsement by procuration does not terminate by reason of the death of the party giving the mandate or by reason of his becoming legally incapable.

4. The delivery of a promissory note to a banker for collection is a payment order governed by Chapter V of this Law. In case of an inconsistency with respect to promissory notes between a provision of Chapter V of this Law and a provision of this Chapter, this Chapter prevails.

Article 152.

1. When an endorsement contains the statements “value in security” (“valeur en garantie”), “value in pledge” (“valeur en gage”), or any other statement implying a pledge, the holder may exercise the rights arising out of the promissory note, but an endorsement by him has the effects only of an endorsement by an agent.

2. The parties liable cannot set up against the holder defenses founded on their personal relations with the endorser, unless the holder, in receiving the promissory note, has knowingly acted to the detriment of the debtor.

Article 153.

1. An endorsement after protest or after an equivalent declaration or after the expiration of the limit of time for presentment

i. Operates only as an ordinary assignment; and

ii.Does not operate to give rights under Articles 149 and 150.

2. Failing proof to the contrary, an undated endorsement is deemed to have been placed on the promissory note prior to the protest or equivalent declaration or prior to the expiration of the limit of time referred to in the preceding paragraph.

SECTION 3— LIABILITY OF MAKER OF PROMISSORY NOTE

Article 154.

1. By making it, the maker undertakes to pay the promissory note at its maturity.

2. In default of payment, the holder has a direct action on the promissory note against the maker for all that can be demanded in accordance with Articles 175 and 176.

Article 155.

1. A promissory note payable at a fixed period after sight must be presented for visa within one year of its date.

2. The maker may abridge or extend this period.

3. These periods may be abridged by the endorses.

Article 156.

1. A visa is written on the promissory note. It is expressed by the word “visa” or any other equivalent term. It is signed by the maker.

2. The visa must be dated as of the day when the visa is given, unless the holder requires that it shall be dated as of the day of presentment. If it is undated, the holder, in order to preserve his right of recourse against the endorsers and the maker, must authenticate the omission by a protest drawn up within the proper time.

3. The fixed period after sight at which the promissory note is payable runs from the date of the visa signed by the maker on the note. The refusal of the maker to give his visa with the date thereon must be authenticated by a protest, the date of which marks the commencement of the period of time after sight.

SECTION 4— "AVALS"

Article 157.

1. Payment of a promissory note may be guaranteed by an "aval" as to the whole or part of its amount.

2. This guarantee may be given by a third person or even by a person who has signed as a party to the promissory note.

Article 158.

1. An “aval” may be given either on the promissory note itself or on an “allonge”.

2. It is expressed by the words “good as aval” (“bon pur ava”) or by any other equivalent formula. It is signed by the giver of the “aval”.

3. It is deemed to be to be constituted by the mere signature of the giver of the “aval” placed on the face of the promissory note, except in the case of the signature of the maker.

4. An “aval” must specify for whose account it is given. In default of this, it is deemed to be given for the maker.

Article 159.

1. The giver of an “aval” is bound in the same manner as the person for whom he has become guarantor.

2. His undertaking is valid even when the liability which he has guaranteed is inoperative for any reason other than defect of form.

3. He has, when he pays a promissory note, the rights arising out of the promissory note against the person guaranteed and against those who are liable to the latter on the promissory note.

SECTION 5— MATURITY

Article 160.

1. A promissory note may be made payable:

   a. At sight;

   b. At a fixed period after sight;

   c. At a fixed period after date; or

   d. At a fixed date.

2. A promissory note may be made payable by stated installments, each at a fixed date, with a provision that in default in payment of any installment the entire unpaid balance shall become due.

3. Promissory notes at other maturities are null and void.

Article 161.

1. A promissory note at sight is payable on presentment. It must be presented for payment within a year of its date of issue. The maker may abridge or extend this period. These periods may be abridged by the endorsers.

2. The maker may prescribe that a promissory note payable at sight must not be presented for payment before a named date. In this case, the period for presentment begins from the said date.

Article 162.

1. The maturity of a promissory note payable at a fixed period after sight is determined either by the date of the visa or by the date of the protest.

2. In the absence of the protest, an undated visa is deemed, so far as regards the maker, to have been given on the last day of the limit of time for presentment for visa.

Article 163.

1. Where a promissory note is made payable at one or more months after date or after sight, the promissory note matures on the corresponding date of the month when payment must be made. If there be no corresponding date, the promissory note matures on the last day of this month.

2. When a promissory note is made payable at one or more months and a half after date or sight, entire months must first be calculated.

3. If the maturity is fixed at the commencement, in the middle, or at the end of the month, the first, fifteenth or last day of the month is to be understood.

4. The expression “eight days” or “fifteen days” indicate not one or two weeks, but a period of eight or fifteen actual days.

5. The expression “half month” means a period of fifteen days.

Article 164.

When a promissory note is payable on a fixed day or at a fixed period after date in a place where the calendar is different from the calendar in the place of issue, unless a stipulation in the promissory note or even the simple terms of the instrument indicate an intention to adopt some different rule, the day of maturity is deemed to be fixed according to the calendar of the place of payment.

SECTION 6— PAYMENT

Article 165.

1. The holder of a promissory note payable on a fixed day or at a fixed period after date or after sight must present the promissory note for payment either on the day on which it is payable of no one of the two business days which follow.

2. The presentment of a promissory note either at or through a clearing-house, or electronically, as provided by agreement or regulations issued by the National Bank of Cambodia, is an effective presentment for payment.

Article 166.

1. The maker who pays a promissory note may require that it shall be given up to him receipted by the holder.

2. The holder may not refuse partial payment.

3. In case of partial payment the maker may require that the partial payment shall be mentioned on the promissory note and that a receipt shall be given to him.

Article 167. When a promissory note is not presented for payment within the limit of time fixed by Article 165, every debtor is authorized to deposit the amount with the competent authority, as designated by the National Bank of Cambodia, at the charge, risk and peril of the holder.

Article 168.

1. The holder of a promissory note cannot be compelled to receive payment thereof before maturity.

2. The maker who pays before maturity does so at his own risk and peril.

3. He who pays at maturity is validly discharged, unless he has been guilty of fraud or gross negligence. He is bound to verify the regularity of the series of endorsements, but not the signature of the endorsers.

Article 169.

1. When a promissory note is made payable in a currency which is not that of the place of payment, the sum payable may be paid in the currency of the country, according to its value on the date of maturity. If the debtor is in default, the holder may at his option demand that the amount of the promissory note be paid in the currency of the country according to the rate on the day of maturity or the day of payment.

2. The usage of the place of payment determines the value of foreign currency. Nevertheless, the maker may stipulate that the sum payable shall be calculated according to a rate expressed in the promissory note.

3. The foregoing rules shall not apply to a promissory note (i) made payable in a currency which is widely accepted in Cambodia, or (ii) in which the maker has stipulated that payment must be made in a certain specified foreign currency. In each such case the promissory note shall be paid in the stated currency.

4. If the amount of the promissory note is specified in a currency having the same denomination, but a different value in the country of payment and the country of issue or any other country, unless indicated otherwise, reference in the promissory note is deemed to be made to the currency of the country of payment where the currency of the country of payment does not have the same denomination, to a currency which is widely accepted in the place of payment.

5. Where a promissory note is payable at the domicile of a banker the designation of an account to be debited with the amount payable is deemed to be an authorization to pay in the currency of the account.

SECTION 7— RECOURSE FOR NON-PAYMENT

Article 170. The holder may exercise his right of recourse against the endorsers, the maker and the other parties liable:

1. at maturity, if payment has not been made, or

2. even before maturity, in the event of the bankruptcy (faillite) of the maker or in the event of a stoppage of payment on his part, even when not declared by a judgment, or where execution has been levied against his assets without result;

Article 171.

1. Default of payment must be evidenced by an authentic act (protest for non-payment).

2. Protest for non-payment of a promissory note payable on a fixed day or at a fixed period after date or sight must be made on one of the two business days following the day on which the promissory note is payable. In the case of a promissory note payable at sight, the protest must be drawn up within the limit of the time fixed for presentment for payment. Protest for the refusal to give visa dispenses with presentment for payment and must be made within the limit of time fixed for presentment for payment.

3. If there is a stoppage of payment on the part of the maker or if execution has been levied against his assets without result, the holder cannot exercise his right of recourse until after presentment of the promissory note to the maker for payment and after the protest has been drawn up.

4. If the maker is declared bankrupt (faillite déclarée), the production of the judgment declaring the bankruptcy suffices to enable the holder to exercise his right of recourse.

5. A protest shall be signed by an officer legally authorized to authenticate documents. As long as no such person has been designated by law he shall designed by the National Bank of Cambodia. A protest must contain a copy of the promissory note, or the original promissory note may be annexed thereto, and specify the person at whose request the promissory note is protested, the place and date of the protest, the cause or reason for protesting the promissory note, the demand made and the answer given, if any, or the fact that the maker cannot be found. It shall be made at of the place of refusal to pay or at some other place in Cambodia situated within 10 kilometers of the place of presentment and refusal to pay.

6. A protest may be constituted by the signed written maker's declaration specifying the information set out in previous paragraph.

Article 172.

1. The holder must give notice of non-payment to his endorser and to any avaliseur of the maker within the four business days which follow the day for protest or, in case of a stipulation “retour sans frais,” “retour sans protêt,” or any other equivalent expression, the day for presentment. Every endorser must, within the two business days following the day on which he receives notice, notify his endorser of the notice he has received, mentioning the names and addresses of those who have given the previous notices, and so on through the series until the maker is reached. The periods mentioned above run from the receipt of the preceding notice.

2. When, in conformity with the preceding paragraph, notice is given to a person who has signed a promissory note, the same notice must be given within the same limit of time to his avaliseur.

3. Where an endorser either has not specified his address or has specified it in an illegible manner, it is sufficient that notice should be given to the preceding endorser.

4. A person who must give notice, may give it in any form whatever, even by simply returning the promissory note.

5. He must prove that he has given notice within the time allowed. This time-limit shall be regarded as having been observed if a letter giving the notice has been

posted within the prescribed time.

6. A person who does not give notice within the limit of time mentioned above is responsible for the injury, if any, caused by his negligence, but the damages shall not exceed the amount of the promissory note.

Article 173.

1. An endorser, or a person guaranteeing payment by aval (avaliseur) may, by the stipulation "retour sans frais," "retour sans protêt," or any other equivalent expression written on the instrument and signed, release the holder from having a protest of non-payment drawn up in order to exercise his right of recourse.

2. This stipulation does not release the holder from presenting the promissory note within the prescribed time, or from the notices he has to give. The burden of proving the non-observance of the limits of time lies on the person who seeks to set it up against the holder.

3. A stipulation written by an endorser or an avaliseur, is operative only in respect of such endorser or avaliseur. If, in spite of the stipulation the holder has the protest drawn up, the costs of the protest may be recovered from all the persons who have signed the promissory note.

Article 174.

1. All makers, endorsers or guarantors by aval of a promissory note are jointly and severally liable to the holder.

2. The holder has the right of proceeding against all these persons individually or collectively without being required to observe the order in which they have become bound.

3. The same right is possessed by any person signing the promissory note who has taken it up and paid it.

4. Proceedings against one of the parties liable do not prevent proceedings against the others, even though they may be subsequent to the party first proceeded against.

Article 175.

1. The holder may recover from the person against whom he exercises his right of recourse:

a. The amount of the unpaid promissory note with interest, if interest has been stipulated for;

b. Interest at a rate determined by the National Bank of Cambodia from the date of maturity.

c. The expenses of protest and of the notices given as well as other expenses.

2. If the right of recourse is exercised before maturity, the amount of the promissory note shall be subject to a discount. This discount shall be calculated according to the official rate of discount (bank-rate) ruling on the date when recourse is exercised at the place of domicile of the holder.

Article 176. A party who takes up and pays a promissory note can recover from the parties liable to him:

1. The entire sum which he has paid;

2. Interest on the said sum calculated at a rate determined by the National Bank of Cambodia, starting from the day when he made payment;

3. Any expenses which he has incurred.

Article 177.

1. Every party liable against whom a right of recourse is or may be exercised can require against payment that the promissory note shall be given up to him with the protest and a receipted account.

2. Every endorser who has taken up and paid a promissory note may cancel his own endorsement and those of subsequent endorsers.

Article 178.

1. Every person having the right of recourse may, in the absence of agreement to the contrary, reimburse himself by means of a bill of exchange to be drawn at sight on one of the parties liable to him and payable at the domicile of that party.

2. The bill of exchange includes, in addition to the sums mentioned in Articles 175 and 176, brokerage and the cost of stamping the bill of exchange.

3. If the bill of exchange is drawn by the holder, the sum payable is fixed according to the rate for a sight bill at the place where the original promissory note was payable at the place of his domicile. If the bill of exchange is drawn by an endorser, the sum payable is fixed according to the rate-for a sight bill drawn at the place where the drawer of the bill of exchange is domiciled upon the place of domicile of the party liable.

Article 179.

1. The holder loses his rights of recourse against the endorsers and against the other parties liable with the exception of the maker, after the expiration of the limits of time fixed:

a. For the presentment of a promissory note payable at sight or at a fixed period after sight.

b. For drawing up the protest for non-payment.

c. For presentment for payment in the case of a stipulation ***"retour sans frais," "retour sans protêt,"*** or any other equivalent expression,

2. If the stipulation for a limit of time for presentment is contained in an endorsement, the endorser alone can avail himself of it.

Article 180.

1. Should the presentment of the promissory note or the drawing up of the protest within the prescribed limits of time be prevented by an insurmountable obstacle (vis major), these limits of time shall be extended.

2. The holder is bound to give notice without delay in the case of vis major to his endorser and to specify this notice, which he must date and sign, on the promissory note or on an allonge; in all other respects the provisions of Article 172 shall apply.

3. When vis major has terminated, the holder must without delay present the promissory note for payment and, if need be, draw up the protest.

4. If vis major continues to operate beyond thirty days after maturity, recourse may be exercised, and neither presentment nor the drawing up of a protest shall be necessary.

5. In the case of promissory notes payable at sight or at a fixed period after sight, the time-limit of thirty days shall run from the date on which the holder, even before the expiration of the time for presentment, has given notice of vis major to his endorser. In the case of promissory notes payable at a certain time after sight, the above time-limit of thirty days shall be added to the period after sight specified in the promissory note.

6. Facts which are purely personal to the holder or to the person whom he has entrusted with the presentment of the promissory note or drawing up of the protest are not deemed to constitute cases of vis major.

7. Liability on a promissory note that has been lost or destroyed may be enforced only against security provided by the party enforcing the promissory note, which to the satisfaction of the court indemnifies the party liable on it against any claim of any other person on the promissory note if it reaches a holder who acquires it otherwise than in bad faith or gross negligence.

SECTION 8— INTERVENTION FOR HONOR

Article 181.

1. The maker, an endorser, or a person giving an aval may specify a person who is to pay in case of need.

2. A promissory note may, subject as hereinafter mentioned, be paid by a person who intervenes for the honor of any debtor against whom a right of recourse exists.

3. The person intervening may be a third party already liable on the promissory note.

4. The person intervening is bound to give, within two business days, notice of his intervention to the party for whose honor he has intervened. In default, he is responsible for the injury, if any, due to his negligence, but the damages shall not exceed the amount of the promissory note.

Article 182.

1. Payment by intervention may take place in all cases where, either at maturity or before maturity, the holder has a right of recourse on the promissory note.

2. Payment must include the whole amount payable by the party for whose honor it is made.

3. It must be made at the latest on the day following the last day allowed for drawing up the protest for non-payment.

Article 183.

1. If persons domiciled in the place of payment have been named as referees in case of need, the holder must present the promissory note to all these persons and, if necessary, have a protest for non-payment drawn up at the latest on the day following the last day allowed for drawing up the protest.

2. In default of protest within this limit of time, the party who has named the referee in case of need, and the subsequent endorsers, are discharged.

Article 184. The holder who refuses payment by intervention loses his right of recourse against any persons who would have been discharged thereby.

Article 185.

1. Payment by intervention must be authenticated by a receipt given on the promissory note mentioning the person for whose honor payment has been made. In default of such mention, payment is deemed to have been made for the honor of the maker.

2. The promissory note and the protest, if any, must be given up to the person paying by intervention.

Article 186.

1. The person paying by intervention acquires the rights arising out of the promissory note against the party for whose honor he has paid and against persons who are liable to the latter on the promissory note. Nevertheless, he cannot re-endorse the promissory note.

2. Endorsers subsequent to the party for whose honor payment has been made are discharged.

3. In case of competition for payment by intervention, the payment which affects the greater number of releases has the preference. Any person, who with knowledge of the facts, intervenes in a manner contrary to this rule, loses his right of recourse against those who would have been discharged.

SECTION 9— COPIES

Article 187

1. Every holder of a promissory note has the right to make copies of it.

2. A copy must reproduce the original exactly, with the endorsements and all other statements to be found therein. It must specify where the copy ends.

3. It may be endorsed and guaranteed by aval in the same manner and with the same effects as the original.

Article 188.

1. A copy must specify the person in possession of the original instrument. The latter is bound to hand over the said instrument to the lawful holder of the copy.

2. If he refuses, the holder may not exercise his right of recourse against the

persons who have endorsed the copy or guaranteed it by aval until he has had a protest drawn up specifying that the original has not been given up to him on his demand.

3. Where the original instrument, after the last endorsement before the making of the copy contains a clause “commencing from here an endorsement is only valid if made on the copy” or some equivalent formula, a subsequent endorsement on the original is null and void.

SECTION 10— ALTERATIONS

Article 189. In case of alteration of the text of a promissory note, parties who have singed subsequent to the alteration are bound according to the terms of the altered text: parties who have signed before the alteration are bound according to the terms of term original text.

SECTION 11— LIMITATION OF ACTIONS OF RECOURSE

Article 190.

1. All actions of recourse arising out of a promissory note against the maker are barred after three years, reckoned from the date of maturity.

2. Actions of recourse by the holder against the endorsers are barred after one year from the date of a protest drawn up within proper time, or from the date of maturity where there is a stipulation “retour sans frais,” “retour sans protêt,” or any other equivalent expression.

3. Actions of recourse by endorsers against each other are barred after six months, reckoned from the day when the endorser took up and paid the promissory note or from the day when he himself was sued.

Article 191. Interruption of the period of limitation is only effective against the person in respect of whom the period has been interrupted.

SECTION 12— TIME CALCULATIONS

Article 192.

1. Payment of a promissory note which falls due on a legal holiday (jour férié légal) cannot be demanded until the next business day. So too, all other proceedings relating to a promissory note, in particular presentment for payment and protest, can only be taken on a business day.

2. Where any of these proceedings must be taken within a certain limit of time, the last day of which is a legal holiday (jour férié), the limit of time is extended until the first business day which follows the expiration of that time. Intermediate holidays (jours fériés) are included in computing limits of time.

Article 193. Legal or contractual limits of time do not include the day on which the period commences.

Article 194. No days of grace, whether legal or judicial, are permitted.

CHAPTER V -- PAYMENT TRANSACTIONS

SECTION 1— GENERAL PROVISIONS

Article 195. This Chapter governs payment transactions in any currency. It applies to participants' rights and obligations and to the organization, operation, supervision and oversight of payment systems in the Kingdom of Cambodia.

Article 196.

1. Individuals or legal entities may open accounts in domestic and any foreign currency and may conduct payment transactions through these accounts under conditions as agreed subject to the provisions of Section 7 of this Chapter. An individual or legal entity may have more than one account and in more than one bank.

2. Paragraph 1 of this Article does not supersede, and is subject to, any legal requirement relating to the use of the domestic currency, as well as to any restriction or limitation, imposed by law, relating to a specific type or class of accounts, or to foreign exchange.

Article 197.

1. A payment order may be sent by a customer from either within or outside Cambodia and received by a bank located either within or outside Cambodia.

2. A payment order received by a branch or separate office of a bank located in Cambodia is governed by this Chapter and in matters not provided by it, by other laws applicable in Cambodia. This paragraph applies, whether the payment order is sent from within or outside Cambodia, and subject to an agreement to the contrary between the sender and the receiving bank.

3. Subject to an agreement to the contrary between the sender and the receiving bank, a payment order received by a branch or separate office of a bank located outside Cambodia is governed by the Law applicable in the place where that branch or separate office is located.

4. Subject to their agreement to the contrary, rights and obligations between a bank and its customer in relation to the account and any incoming or outgoing payment order are governed by the Law applicable in the place in which the branch or separate office of the bank where the account is maintained is located.

5. The issue of when payment is made pursuant to a payment transaction by the payor to the payee is governed by the Law applicable in the place in which the branch or separate office of the destination bank is located.

6. A payment order may be addressed to the National Bank of Cambodia and instruct payment out or into an account held at the National Bank of Cambodia in which case this Chapter applies to the National Bank of Cambodia as a bank.

7. Where a receiving bank agrees to carry out an instruction which is not a payment order only because it is stated to be subject to a condition, the instruction is deemed to be a payment order. This Chapter applies to the payment transaction, but not to the duties (i) of a receiving bank to pass on the condition to the destination bank, and (ii) of the destination bank to perform the condition.

Article 198.

1. In a debit transfer a receiver may revoke the receiver's authority to the originator by advising the destination bank of the revocation of authority in writing, electronically, or, if so previously agreed in writing, orally. Advice shall be given before the completion of the payment transaction, and at a time and in a manner sufficient to afford the destination bank a reasonable opportunity to act on it. The destination bank shall reject each sender's payment order to which the advice applies.

2. In a debit transfer, the advice of the receiver's death or adjudication of legal incapacity received by the destination bank has the same effect as the receiver's advice of revocation of authority under paragraph 1 of this Article.

3. A customer:

i. Whose account was debited with the amount of a payment order carrying out a debit transfer;

ii. Who contests the originator's authority; and

iii. Who objects to the debit in writing within four days of learning of the debit to the customer's account; shall be entitled to the reversal of the debit unless the destination bank has been provided with evidence of the authority given by the customer to the originator.

4. By authorizing a debit transfer the receiver guarantees payment to the originator.

5. This Article does not apply to the receiver's authority given to the originator by the issue of a check.

SECTION 2—PAYMENT ORDERS

Article 199.

1. A payment order is an instruction by the sender to the receiving bank and does not operate as an assignment of funds in favor of any participant in the payment transaction.

2. A payment order may be given in writing, electronically, or, if so previously agreed in writing between the parties to a payment order, orally. If so previously agreed, and subject to the terms of the agreement, subsequent communications including cancellation orders may also be given orally.

3. A payment order shall accurately identify the receiver and destination bank. Where a payment order processed in an automated system identifies any participant in the payment transaction by name and number, a receiving bank need not confirm the consistency between the name and number and may carry out payment on the basis of the number alone. If any of its employees who handle the payment order notices any inconsistency between the name and the number, the receiving bank shall reject the payment order.

4. The National Bank of Cambodia may issue regulations providing for the conditions under which a payment order and any other communication, including a cancellation order, may be given orally.

Article 200.

1. In a credit transfer, unless agreed otherwise, a receiving bank is obliged to carry out the sender's payment order only where there is adequate cover in the sender's account.

2. In a debit transfer, the originating bank shall carry out the originator's payment order upon being presented to its satisfaction with proof as to the authority given by the receiver, and obtaining the originator's indemnity. Unless otherwise agreed, the originating bank shall not be obliged to provide the originator with funds or even provisional credit prior to the completion of the debit transfer. If the originator's account is credited by the originating bank before the completion of the debit transfer, the credit is provisional, and the originator's account may be debited in the amount of the credit if the debit transfer is not completed as provided in Article 210 of this Law.

3. A receiving bank shall carry out only a payment orders which:

i. Is properly filled in and authorized or authenticated;

ii. Properly identifies the destination bank; and

iii. Describes the receiver with reasonable certainty.

4. A receiving bank that declines to carry out its sender's payment order shall promptly advise the sender of its refusal or rejection.

5. Unless otherwise agreed, and without prejudice to levying charges as agreed or customary, a receiving bank shall carry out a payment order in the amount instructed by the sender.

6. A receiving bank shall carry out instructions contained in a payment order either on the banking day it received it or on its value date, if any - whichever is later. A receiving bank may establish a cut-off hour after which any payment order received is deemed to be received on the following banking day.

7. An originating bank in a credit transfer and a destination bank in a debit transfer that has received in the course of a banking day more than one payment order or other lawful instructions for the withdrawal of funds from an account, may process them in any sequence unless otherwise provided in any Law.

8. A receiving bank shall exercise ordinary care in handling payment orders. It shall exercise ordinary care in the interpretation of ambiguous payment orders, and provided it acts in good faith and without knowledge that its interpretation is contrary to the sender's intent, it may carry out a payment order according to its reasonable meaning.

9. In receiving a payment order and acting in a payment transaction, and notwithstanding any agreement to the contrary, a receiving bank shall comply with this Law and any applicable regulation or directive as well as other law. It shall act diligently and in good faith, comply with common banking standards, and assist participants to complete satisfactorily the payment transaction. Within limits prescribed by this or any other Law, it must maintain confidentiality and act in the best interest of its sender.

10. Subject to any obligation of confidentiality under any applicable law, a receiving bank instructed to route a payment transaction through an intermediary bank or to a destination bank that it judges to be unreliable in the circumstances, shall promptly advise the sender of its concerns. Where the receiving bank is nevertheless instructed to route the transaction over its advice to the contrary, it may reject the payment order, or notwithstanding any other provision of this Law, execute it at the sender's risk.

Article 201.

1. Unless otherwise agreed between a sender and a receiving bank, a payment order is revocable and may be canceled. It is canceled by the sender where a properly authorized or verified cancellation order sent by the sender or on the sender's behalf is received by the receiving bank at a time and in a manner which enables it to initiate cancellation before carrying out the sender's original instructions contained in the payment order.

2. After the execution of a sender's payment order, at the request of the sender, the executing receiving bank may nevertheless issue to its own receiving bank its own cancellation order, which is governed by paragraph 1 of this Article. A cancellation order issued to the destination bank by its sender in the payment transaction is effective only it reaches the destination bank before the payment transaction is completed.

3. A cancellation order must accurately identify the payment order it seeks to cancel and may be given to the receiving bank in writing, electronically, or if so previously agreed in writing between the parties to a payment order, orally.

4. A payment order that has not been carried out by the receiving bank is withdrawn in the following cases:

i. At the close of the fifth banking day or any agreed upon shorter period after the receipt of the payment order by the receiving bank, or value date, whichever is later;

ii. Where the receiving bank learns of the death or adjudication of the legal incapacity of the sender; or

iii. Where the receiving bank has been closed by the supervisory authorities.

5. No cancellation or withdrawal of a payment order is effective after the completion of the payment transaction.

Article 202.

1. Settlement for interbank payment orders may take place:

i. On banks' settlement accounts with the National Bank of Cambodia, in which case it is governed by Regulation on the Operation of Settlement Accounts;

ii. By posting a debit or credit to an account, other than a settlement account, one bank has with the other or with a third bank. Such debit or credit may be either for each payment order individually or for batches of payment orders in which case it may be at the end of a clearing cycle; or

iii. By any other means in which an obligation is satisfied.

2. The time for settlement under paragraph 1 of this Article occurs as follows:

i. Under paragraph 1(i), when settlement is completed under Regulation on the Operation of Settlement Accounts issued by the National Bank of Cambodia;

ii. Under paragraph 1 (ii), by means of a debit to an account, when the debit is posted to the account.

iii. Under paragraph 1(ii), by means of a credit to an account, when the credit posted to the account is used, or if not used, at the opening of the next

banking day following the day on which the credit is available for use and the bank whose account has been credited, learns of that fact.

iv. Under paragraph 1 (iii), as determined by the principles of law that determine when the obligation is satisfied.

3. This paragraph applies where settlement under paragraph 1 (ii) of this Article takes place pursuant to an agreement or rules governing the completion of interbank settlement other than in the National Bank of Cambodia and is for bilaterally or multilaterally netted amounts of payment orders. Notwithstanding paragraph 2(ii) of this Article, such settlement occurs when it is completed according to the agreement or rules.

4. Regulations issued by the National Bank of Cambodia may restrict or otherwise govern circumstances under which settlement under paragraph 1 (ii) or (iii) of this Article may take place as well as modify the time of its occurrence.

5. Notwithstanding anything in any law, whether or not it relates to insolvency proceedings, insolvency proceedings opened against a bank shall neither:

i. Have retroactive effects on the rights and obligations arising from, or in connection with the clearing and settlement of payment orders, other than as of the moment such proceedings are opened; nor

ii. Affect the binding effect and enforceability of payment orders received by any receiving bank before the moment of opening of such insolvency proceeding, their bilateral or multilateral netting, and any security provided to secure them.

6. For the purposes of paragraph 5 of this Article and Article 227(2), "Insolvency proceedings" shall mean any collective measure provided for in the Law either to liquidate, wind up, or re-organize a bank, whether voluntary or involuntary, and the moment of the opening of the insolvency proceedings shall be the moment when the relevant judicial or administrative authority handed down its decision.

SECTION 3-- THIRD–PARTY PROCESSORS

Article 203. In carrying out any part of a payment transaction, a bank may employ a third– party processor. As authorized by the bank, a third–party processor may act on behalf of the authorizing bank as:

1. A communication facility;

2. An interbank clearing facility, which may further transmit interbank settlement information to banks, including the bank in which settlement is completed;

3. A managing or operating agent for the bank of bank customers' accounts; and/or

4. A sending and receiving point for payment orders sent or received by the bank, which may be accessed directly by bank customers for sending and receiving payment orders.

Article 204.

1. A third–party processor shall comply with all requirements, conditions and restrictions set by regulations prescribed by the National Bank of Cambodia. Such regulations may provide for the licensing, regulation, and supervision of third-party

processors, and may apply to all third-party processors or any category thereof. Different categories of third-party processors as specified by the National Bank of Cambodia may be subject to different requirements.

2. A bank may act as a third-party processor on behalf of another bank.

Article 205.

1. Other than between itself and the third–party processor, a bank is fully responsible for any action or omission of third–party processor acting with its authority on the bank's behalf.

2. To ensure compliance with this Law and all other legal requirements, a bank shall ensure that a third-party processor operates under its full control and supervision in matters in which it acts on its behalf; the bank is precluded from denying such control and supervision.

Article 206.

1. A third-party processor shall reject a payment order sent directly to it by a bank customer unless:

i. It was so sent pursuant to the bank's authority; and

ii. In the case of a credit transfer:

a. The third-party processor acts for the bank as a managing or operating agent of the customer's account and there is adequate cover in the customer's account; or

b. The third-party processor has obtained authorization from the bank.

2. The customer's payment order acted on by the third–party processor is deemed to be an instruction from the customer to the customer's bank, executed by the bank's corresponding payment order sent to the third–party processor for onward transmittal to the receiving bank.

3. Where a bank authorized a third-party processor to act as a receiving point for payment orders sent to the bank, a payment order received by the third–party processor is deemed to have been received by that bank acting as the receiving bank.

SECTION 4-- COMPLETION OF CREDIT TRANSFER AND DISCHARGE

Article 207.

1. A credit transfer is completed when the destination bank is paid. In an in–house transfer the bank is paid when it debits the originator's account with the amount of the payment order. In an interbank credit transfer, the destination bank is paid when the interbank settlement that includes the sending bank's payment order is completed.

2. A credit transfer is completed at the opening of the next banking day following the banking day the payment order was received by the destination bank, or its value date, whichever is later, if at that time there is adequate cover to the credit of the sender with the destination bank, and unless the destination bank rejected the payment order not later than one hour thereafter.

3. Where the receiver has no pre-existing account with the destination bank, or where such account has been closed or blocked for incoming payments, the credit transfer is completed upon payment of the destination bank to the receiver.

Article 208.

1. Upon the completion of a credit transfer, the destination bank becomes indebted to the receiver in the amount of the payment order it received, and subject to reasonable charges it may deduct, shall pay the receiver promptly.

2. Payment to the receiver by the destination bank shall be made by crediting the receiver's account not later than on the banking day following the completion of the credit transfer. Where such account does not exist or cannot be identified with reasonable certainty, or where so instructed, the destination bank is to advise the receiver promptly of the availability of funds in the destination bank's hands and pay the receiver as instructed.

3. Where the receiver or the receiver's account is not identified in the payment order received by the destination bank with adequate certainty so as to raise reasonable doubts as to the receiver's identification, the destination bank shall reject the payment order and advise its sender of its rejection.

4. Where the destination bank paid the receiver or undertook to pay the receiver prior to being paid, such payment or undertaking shall be final and irrevocable and the credit transfer is deemed to have been completed, except that each receiving bank may be owed by its sender. The destination bank's undertaking to pay may be given directly to the receiver or be under an interbank agreement.

Article 209.

1. Where the credit transfer has been made in payment of a debt owed by the originator to the receiver, unless otherwise agreed between them, the debt is discharged when the payment transaction is completed. Discharge is to the extent of the payment that completed the payment transaction.

2. Discharge shall take place prior to completion of the payment transaction if and as soon as a guarantee of payment is either accepted by the receiver or, other than in circumstances governed by Article 207(3), confirmed to the receiver by the destination bank.

3. A guarantor or a destination bank guaranteeing or confirming payment under paragraph 2 thereby undertakes to pay and becomes indebted to the receiver in the amount guaranteed or confirmed.

SECTION 5—COMPLETION OF DEBIT TRANSFER AND DISCHARGE

Article 210.

1. A debit transfer is completed when the destination bank debits the receiver's account as instructed in the payment order it received and has not reversed the debit and rejected the payment order until the end of the banking day following the receipt. Where a payment order instructs the destination bank to debit an identifiable account maintained with it, the debit transfer is completed on the conclusion of the banking day

that follows receipt of the payment order even before a debit is posted to the receiver's account, provided the payment order is not properly rejected until that time.

2. Until the close of the banking day following its receipt, the destination bank may reject the payment order. It shall become entitled from its sender to a settlement for the amount paid to that sender, by advising its sender and the originating bank, if these are two separate banks, of its rejection. Rejection and entitlement from its sender are automatic by operation of law when the receiving bank has been closed by the supervisory authorities before the close of the banking day following receipt of the payment order.

3. Upon receiving notice of the rejection, each bank sender, other than the originating bank, shall advise its own sender, and has a corresponding right to obtain settlement from that sender. Each bank sender, other than the originating bank, shall advise its sender of the rejection not later than on the banking day following the day it received notice of the rejection.

4. Upon receiving notice of the rejection, the originating bank shall promptly, and no later than on the following banking day, advise the originator of the rejection, and may reverse any provisional credit previously posted to the originator's account, or otherwise, recover from the originator any payment previously made for the payment order.

5. Notwithstanding paragraph 2 of this Article, the destination bank shall be liable to the receiver for wrongfully dishonoring a payment order where unlawfully or without legal justification it rejects the payment order:

i. With the knowledge of the receiver's authority for the debit transfer;

ii. Notwithstanding the proper identification in the payment order received by the bank of an existing receiver's account held at it; and

iii. There is adequate cover in that account.

5. Time periods under Articles 210 and 211 may be shortened by agreement or regulation.

Article 211.

1. Upon the completion of a debit transfer, the destination bank and each receiving bank that obtained payment from its own receiving bank shall be liable to its sender in the amount of the payment it received. Payment by the destination bank to its sender shall be in the amount of the debit to the receiver's account and shall be made not later than on the banking day following the completion of the debit transfer. Payment by any other receiving bank shall be made not later than the banking day following the receipt of its own payment.

2. Upon receiving payment and subject to reversal under Article 198(3) of this Law, the originating bank shall be indebted to the originator in the amount it received. To that extent, any provisional credit given to the originator shall be final. Before such credit becomes final, the originating bank shall not be required to release funds to the originator, and unless agreed otherwise, any release of funds prior to the completion of the debit transfer is provisional until the completion.

Article 212.

1. Where an authorized debit transfer has been made in payment of a debt owed by the receiver to the originator, unless otherwise agreed between them, the debt is discharged when

the payment transaction is completed. Discharge is the amount of its completion.

2. Discharge shall take place prior to completion of the payment transaction if and as soon as a guarantee of payment is either accepted by the originator or confirmed to the originator by the originating bank.

3. A guarantor or an originating bank guaranteeing or confirming payment under paragraph 2 thereby undertakes to pay and becomes indebted to the originator in the amount guaranteed or confirmed.

SECTION 6-- LIABILITY, DAMAGES, AND RESTITUTION

Article 213.

1. A person identified as sender shall be liable on a payment or cancellation order accepted by the receiving bank, where the payment or cancellation order was:

i. Issued to the receiving bank by that person;

ii. Issued to the receiving bank under that person's authority;

iii. Accepted by the receiving bank in compliance with a commercially reasonable security procedure agreed upon between the bank and that person for the verification of the authenticity of payment orders issued by that person to the bank; or

iv. Ratified by that person.

2. Paragraph 1 (iii) of this Article does not apply, and the person identified as sender on the payment order is not liable, when the person proves receipt of no benefit from the payment or cancellation order, and that the issue of the unauthorized payment or cancellation order was not caused by:

i. The person identified as sender, or someone entrusted at any time with duties to act for that person with respect to payment transactions or the security procedure; or

ii. Someone who obtained from the person identified as sender, or a source controlled by that person, access to that person's transmitting facilities, or information, including any access device, computer software, or the like, facilitating breach of the security procedure.

3. For the purpose of paragraph 1 (iii), a security procedure is deemed to be commercially reasonable if it was chosen by the customer contrary to the advice of the bank, after the bank offered, and the customer refused, a security procedure that was reasonable for the customer.

Article 214.

1. Where a credit transfer is completed, a sender shall hold the receiving bank harmless and reimburse it for any loss up to the amount of the payment order, commercially reasonable expenses, fees and interest charges.

2. In a credit transfer, notwithstanding the execution by the receiving bank and the completion of the payment transaction, a sender is not liable to the receiving bank on a payment order transmitted to the receiving bank pursuant to a security procedure for the detection of error, and to the extent allowed by civil law the receiving bank shall

be entitled to recover from the receiver any amount unintended to be paid by the sender where:

i. The sender did not intend to send the payment order, the sender intended to instruct payment to a receiver other than that of the payment order, or the payment order was in an amount greater than the amount intended by the sender; and

ii. The sender proves sender's own compliance with the security procedure and that the error would have been detected if the receiving bank had also complied.

3. In a debit transfer, each sender warrants to its receiving bank that the sender's payment order is duly authorized, and is in accordance with an effective and valid authorization of the originator and receiver.

4. A sender of a payment order, and a receiver who authorizes an originator to initiate a debit transfer, including by means of the issue of a check, shall exercise ordinary care in order to prevent forgery and unauthorized issue or alteration of payment orders or the authority to issue them, and in order to ensure that they are clear and unambiguous.

Article 215. Where a credit transfer is not completed, irrespective of fault on the part of any participant in the payment transaction:

1. The originator shall not be liable to the originating bank and shall be entitled to have the originator's account re-credited for the amount debited in cover for his or her payment order. The originator shall further be entitled to recover from the originating bank the originator's commercially reasonable expenses, fees and interest charges for the re-credited amount.

2. The originating, and any intermediary bank that carried out its own sender's instructions, is similarly excused from any liability to its receiving bank, and has a corresponding entitlement from it, other than for expenses and fees.

Article 216.

1. A receiving bank is liable for commercially reasonable expenses, fees, interest charges and interest losses, and where applicable, foreign exchange losses, incurred by its delay or failure to carry out a payment order. The originator may recover such losses either from the originating bank or from the receiving bank that caused the delay or failure. The receiver may recover such losses either from the destination bank or from the receiving bank that caused the delay or failure. The receiving bank that caused the delay or failure is accountable to the originating or destination bank that paid such losses for the amount so paid.

2. In addition, a receiving bank that either:

i. Failed to promptly advise its sender of its rejection of the payment order, or

ii. Was grossly negligent in carrying out or failing to carry out a payment order, Shall be liable to the originator, whether the originator was or was not its own sender, but provided the originator was not negligent, for actual foreseeable damages, not to exceed the principal amount of the originator's payment order. Where applicable, the sender shall also be entitled to the refund of the amount of the payment order under Article 215 of this Law.

3. The originator shall be entitled to recover under paragraph 1 of this Article the entire amount from either the originating bank or the grossly negligent bank. Subject to an interbank agreement, a bank liable under this Article shall be entitled to contribution from the other according to the other's degree of fault in causing the loss.

4. In a debit transfer, liability under this Article and any limitation thereon is without prejudice to the liability of the destination bank for the wrongful dishonor of a payment order under Article 2 10 (5).

Article 217. Where a credit transfer is completed, but due to an error made by a receiving bank (the **"erring bank"),** payment to the receiver is not as instructed in the originator's payment order, in addition to recovery under Article 216, if applicable, the following rules apply:

1. Where the amount paid to the receiver either exceeds or is less than the amount of the originator's payment order, the credit transfer is deemed to have been completed in the amount paid to the receiver. On each payment order, each sender is liable to the receiving bank in the amount of the sender's own payment order, so that:

   i. Where the amount paid to the receiver exceeds the amount of the originator's payment order, the erring bank shall be entitled to recover from the receiver the amount of the overpayment in an action governed by the Law of the place where the destination bank is located; and

   ii. Where the amount paid to the receiver is less than the amount of the originator's payment order, the erring bank shall pay the difference to the receiver, and be entitled to retain or receive payment from its sender in the amount of the originator's payment order.

2. Where payment was made to a receiver other than that of the originator's payment order, and the erring bank was not the destination bank of the originator's payment order, the originator and any sender prior to the erring bank, and the receiver of the originator's payment order may treat the credit transfer as not completed. The erring bank shall be entitled to recover from the receiver who has been paid the amount of payment in an action governed by the Law of the place where the destination bank is located.

3. The erring bank is liable to any participant for any principal, interest and reasonable expense losses such as bank charges and communication costs resulting from the error.

4. For this Article to apply, error may be incurred or induced innocently, negligently, or fraudulently.

Article 218. When due to an error by a receiving bank (the **"erring bank")** a debit transfer is completed other than instructed in the originator's payment order, in addition to recovery under Articles 210 and 216, if applicable, the following rules apply:

1. When the debit to the account of the receiver of the originator's payment order is in an amount smaller than that of the originator's payment order, the erring bank shall collect the difference from the receiver and pay it to the originator;

2. When the debit to the account of the receiver of the originator's payment order is in an amount larger than that of the originator's payment order, the destination bank shall promptly credit the receiver's account in the amount of the excess. The erring

bank shall pay the excess to the destination bank and collect it from the originator or any other participant that actually retains the excess and to the extent it retains it;

3. When the debit is posted to an account of a receiver other than that of the originator's payment order, the destination bank shall credit that receiver's account in the amount of the debit and shall debit the account of the receiver of the originator's payment order in the amount of the originator's payment order;

4. When the debit is posted to an account of a receiver in a destination bank other than that of the originator's payment order, that destination bank shall credit that receiver's account in that amount and collect it from the erring bank. The erring bank shall collect the amount of the originator's payment order from the receiver of the originator's payment order.

5. Under this Article, collection shall be by debit transfer and payment shall be by credit transfer.

6. The erring bank is liable to any participant for any principal, interest and reasonable expense losses such as bank charges and communication costs resulting from the error.

7. For this Article to apply, error may be incurred or induced innocently, negligently, or fraudulently.

SECTION 7-- BANK ACCOUNTS

Article 219.

1. Subject to the terms of the agreement, and other than in circumstances set out in paragraph 2 of this Article, a credit balance which constitutes adequate cover in an account may be withdrawn by the customer or paid by the bank according to a payment order. The bank shall not be required to honor drawings on deposit accounts exceeding the available account balance in favor of the customer.

2. Paragraph 1 of this Article shall not apply where

i. The credit balance in an account has been subject to a garnishment, seizure or a similar creditor process;

ii. The account has been closed, suspended, blocked or frozen; and

iii. In carrying out the payment orders or instructions for withdrawals the bank shall be violating any law.

3. A customer and bank may agree that funds remitted and received for deposit with the bank for the customer shall be distributed as instructed by the customer to one of several accounts held by the customer. Each account shall be subject to individual accounting in connection with the movement of funds received and paid by the bank for the customer.

Article 220.

1. Disclosures under this Article shall be made in writing, or where agreed, electronically.

2. Banks shall disclose to actual and prospective customers in a readily comprehensible form their terms and conditions for carrying out payment transactions, including their charges, and any estimate, if available, as to the time needed for the completion of the payment transaction.

3. For any payment transaction or other debit or credit posted to the account, the bank shall provide the customer with clear information enabling the customer to identify the withdrawal, deposit, or payment transaction, including a reference number, date, amount, and where applicable, charges and exchange rates.

4. Other than for passbook accounts, a bank shall provide its customer, at periodical intervals not exceeding a calendar month, a statement of account identifying each credit and debit posted to the account since the last statement and providing for the final balance.

5. For a passbook account, a bank must facilitate the ongoing update of the passbook by the customer. In each such update, each credit or debit posted to the account since the previous update, and the final account balance, must be recorded. A customer is required to update the passbook regularly.

6. A customer shall exercise ordinary care and reasonable promptness in reviewing such periodical statements and passbook updates and advise the bank of any discrepancy or contested debit or credit. The bank shall assist the customer in pursuing the investigation on such discrepancy or contested credit or debit, provide all relevant information in its disposal, and, if applicable, make all necessary adjustments and corrections to the account.

Article 221.

1. A bank is bound by secrecy and shall not disclose any information on the account to anyone except for the account holder, other than:

i. Where disclosure is under compulsion by law;

ii. Where the interests of the bank require disclosure;

iii. Where disclosure is made by the express consent of the customer;

iv. Where disclosure is under an opinion on the customer given in the ordinary course of business to another bank in response to the specific enquiry of the other bank; or

v. Where the customer defaulted on his or her obligation to the bank.

2. Disclosure under paragraph 1 (ii) shall be made only:

i. In the event of a legal action to which the bank is a party;

ii. Between banks related to each other through a common ownership structure, but only to the extent of what is reasonably necessary for the protection of the bank and its related banking companies against loss, in relation to the provision of banking services; or

iii. In connection with, and insofar as necessary for, the proposed sale of the bank itself, or a substantial part of its undertaking.

3. No disclosure shall be made under paragraph 1 (iv) where the customer has withheld consent to such disclosure, and unless the bank explained to the customer the customer's right to withhold consent. Such an explanation may be given to the customer in connection with the opening of any account with the bank.

4. Disclosure under paragraph 1(v) shall be limited to the release of information to a bank or a credit reference agency approved by the National Bank of Cambodia about the default, and upon the customer's failure to pay, provide adequate security, or otherwise satisfy the bank within 30 days of a written demand for payment of the outstanding obligation.

5. Damages awarded to a customer for the breach of an obligation under this Article are not limited to monetary losses and may include compensation for proven distress, embarrassment or inconvenience.

Article 222. A bank shall not unilaterally modify the terms of the agreement unless it advises the customer at least 30 days before the change comes into effect. A modification in breach of this provision is ineffective.

Article 223.

1. To be binding on the customer, an agreement must be fair and set out rights and responsibilities clearly and in plain language, with legal and technical language used only where necessary.

2. A bank shall exercise ordinary care in handling payment orders and all other customer's instructions.

3. A customer shall exercise ordinary care in order to prevent forgery and unauthorized issue or alteration of payment orders and all other instructions to the bank, and in order to ensure that they are clear and unambiguous.

4. The bank and customer shall exercise duties under this Law, including any Regulation issued under its authority, and their agreement, in good faith.

5. Subject to any specific limitation or restriction provided by this or any other Law, the bank is liable to the customer and the customer is liable to the bank for any loss or damage caused by the breach of a duty under this Law.

Article 224.

1. A bank may apply funds or securities on deposit to collect its fees accrued for services rendered to the customer, such as for the safekeeping, handling, and remittance of funds in a bank deposit.

2. A bank may combine accounts of the same customer and apply a credit balance in one account:

i. to honor a customer's payment order for which there is no adequate cover in the account on which it is drawn, or

ii. in satisfaction of any accrued debt owed and payable by the customer to the bank,

Provided, in each case, the bank does not know that funds in a credit balance so applied are in trust for another person.

3. Unless otherwise agreed, the bank may apply funds, securities or credit balance under this Article only where such funds, securities or credit balance are available for immediate withdrawal by the customer.

SECTION 8—OPERATION OF THE PAYMENT SYSTEM

Article 225. The National Bank of Cambodia shall be authorized to maintain on its books accounts, including settlement accounts, for, and to accept deposits from, banks, in domestic and foreign currencies, on such terms and conditions as it may prescribe by regulation, and otherwise, as agreed.

Article 226. The National Bank of Cambodia shall determine, formulate, adopt, publicly disclose and oversee the implementation of a payment system policy directed to the greatest advantage of the people of Cambodia. The policy shall be consistent with best international standards. It shall promote payment system safety and efficiency, control risk, and promote competition in the market for payment services, consistent with the overall stability of the financial system.

Article 227.

1. The National Bank of Cambodia may:

   i. Establish and maintain an information network for the financial system of Cambodia,

   ii. Operate, supervise, oversee and regulate the national payment system, for payment transactions and cash withdrawals, including clearing and settlement systems for domestic and foreign currency payments in Cambodia,

   iii. Maintain a register for issued securities, establish a central depositary of securities, maintain accounts for deposited securities, and operate, supervise and regulate clearing and settlement systems for securities,

   iv. Promote, organize, and participate in payment, clearing and settlement systems in domestic and foreign currencies,

   v. Assist banks in organizing and operating facilities for sending, processing and receiving payment orders for their customers, as well as for the clearing and settlement of interbank payments, including payments by check and other payment instruments, in domestic and foreign currencies,

   vi. Regulate, supervise and oversee, as well as set out conditions and requirements for the licensing or registration of operators of payment systems and money services, including for the transmission of money, the withdrawal of cash, check cashing, money safekeeping, currency exchange, and the issue of payment cards and payment instruments, and

   vii. Establish procedures and issue regulations relating to such matters and implementing its payment system policy under Article 226.

2. Regulations issued pursuant to this Article may provide for the validity of bilateral and multilateral interbank netting agreements and interbank settlement rules, and may specify that such agreements or rules supersede any inconsistent law, whether or not it relates to insolvency proceedings. Regulations may also provide for the prevention or reduction of risks associated with the failure to complete the settlement of obligations resulting from an interbank multilateral clearing.

3. Without affecting the generality of this Article, for operators of payment systems, money services, and of all clearing and settlement systems under this Article, the National Bank of Cambodia shall have all powers available to it with respect to operators covered under Article 7(11) of the National Bank of Cambodia Law.

Article 228. A bank shall be able to send, receive and process payment orders, and related customer's instructions, including for cash withdrawals, and otherwise participate in a payment transaction. It may do so through one or more authorized third-party processors, as may be agreed between the bank and the third-party processor, and subject to requirements, conditions and restrictions that may be set out in regulations issued by the National Bank of Cambodia.

Article 229. Other than specifically provided in any Article, the provisions of this Chapter may not be varied or negative by either bilateral or multilateral agreement; except that an agreement may:

i. Increase the customer's rights as long as it does not adversely affect the rights of any other person, and

ii. Provide for reasonable standards specifying ordinary care by each party, as well as for a reasonable method for giving any advice under this Law and any Regulation issued under its authority, and the agreement;

iii. Vary rights and obligations between and among banks, as long as it does not adversely affect rights of any person not party to the agreement including a non-bank customer.

CHAPTER VI – SANCTIONS

Article 230.

1. The National Bank of Cambodia may promulgate regulations setting out sanctions it may impose on and apply to persons who do not honor their liability in connection with negotiable instruments and payment orders.

2. Sanctions for the breach of regulations under paragraph 1 above shall be:

a. A warning;

b. A reprimand;

c. A prohibition or restriction to issue any or all types of negotiable instruments or authorize a debit transfer for a period of time not to exceed 12 months,

d. A penalty payment of 5 percent to 100 percent of the face value of any dishonored instrument or payment order or instrument or authority issued in violation of a prohibition or restriction;

3. Where there is no adequate cover for a valid check, the drawee bank that dishonored the check shall record the incident and report it within two days of the dishonor to the National Bank of Cambodia. The drawer of the check shall not be permitted to issue a check or authorize a debit transfer for 12 months. "Adequate cover" may either consist of actual funds forming a positive balance in the account or be given pursuant to an overdraft facility a drawer has with the drawee bank;

4. The National Bank of Cambodia shall operate a Registrar recording all bank accounts out of which checks may be drawn and debit transfers may be carried out, as well as of all reported incidents, and issued warnings, reprimands, prohibitions and restrictions under this Article. Upon the issue of each warning, reprimand, prohibition or restriction the National Bank of Cambodia shall advise each bank in which the person against whom it was issued maintains such an account and shall make such information available for banks upon request.

5. A bank with knowledge of a prohibition or restriction issued under paragraph 3 shall require the person subject to the prohibition or restriction to immediately return all blank unused forms of checks and authorizations to collect by debit transfer delivered to him by the bank. A bank with knowledge of a prohibition or restriction shall be liable to the holder of a check and originator of a debit transfer issued or authorized by a person subject to a prohibition or restriction for the full amount of the check or debit transfer where the blank form of the check or authorization to collect by debit transfer was delivered to the person subject to the prohibition or restriction while the prohibition or restriction was effective to the knowledge of the bank that delivered the blank form to the person.

6. A prohibition or restriction under paragraph 3 is withdrawn where the National Bank of Cambodia is advised that payment was made to the satisfaction of the holder. Such payment shall include bank charges paid to the drawee bank, interest and damages at a minimum of 5 percent of the principal amount paid to the holder, and penalty of one million Riels paid to the National Bank of Cambodia. The National Bank of Cambodia shall prescribe by regulations the manner of satisfying these requirements.

Article 231.

1. Any person who contravenes:
   i. Any provision of this Law,
   ii. Any regulation, directive or rule issued by the National Bank of Cambodia in connection with any matter under those provisions, or
   iii. A lawful request for information directed under this Law,

Is guilty of an offence, and is liable on summary conviction to a fine from 5 million to 10 million Riels or to imprisonment for a term of 2 to 5 years, or to both.

2. Any person:
   i. Who breaks a prohibition or restriction issued under Article 230,
   ii. Who gives authority to originate a debit transfer out of his account with the intention that the payment order shall not be honored, or
   iii. Who alters, forges, counterfeits or falsifies a negotiable instrument authority for collection by debit transfer, or payment order, and knowingly holds or uses such an altered, forged, counterfeit or falsified instrument, authority or payment order,

Shall be liable to a fine of 5 to 50 million Riels or to a term of imprisonment of 2 to 5 years.

3. Any person:
   i. Who intentionally with the intent to harm another countermands or withdraws cover for the payment of a check,
   ii. Who incurs liability on a negotiable instrument with the intention that it shall not be honored upon maturity,
   iii. Who up on maturity willfully and with the intent to harm another dishonors an obligation incurred on a negotiable instrument

shall be liable to a fine of 2 to 6 million riels and to a term of imprisonment of 1 to 3 years, without prejudice to payment of the amount of the negotiable instrument in question to the holder.

4. No action lies against the National Bank of Cambodia, any officer, employee, or

director of the National Bank of Cambodia, or any person acting under the direction of the National Bank of Cambodia, for anything done or omitted to be done in good faith in the administration or performance of any powers or duties under this Law.

Article 232.

1. In this Chapter, negotiable instruments, checks, bills of exchange, and promissory notes include instruments that are used or treated as functionally equivalent to them.

2. For a violation by a legal entity, any sanction under this Chapter may be applied to any of its directors, organs, and officers.

3. Where a violation is committed through an agent, sanctions under this Chapter may be imposed on or applied to the principal, agent, or both.

4. Sanctions under this Chapter are cumulative and without prejudice to any other sanction under any other Law.

CHAPTER VII— FINAL PROVISIONS

Article 233.

1. The National Bank of Cambodia shall issue regulations, rules, instructions, and guidelines, as well as operating procedures, for the implementation of this Law, particularly regarding:

i. Uniform structure for account identification and classification,

ii. The format of payment orders,

iii. The standards for the communication of payment orders,

iv. Forms of checks, bills of exchange, and promissory notes, as well as of all other documents to be issued under this Law, whether by parties or officials, such as for notice or protest, and pertinent procedures;

v. Bank duties, procedures and practices in receiving payment orders and carrying out payment transactions,

vi. The bank account agreement, and information to be provided by banks to customers,

vii. Statistical information to be provided by banks to the National Bank of Cambodia required for the proper and effective conduct of monetary policy, and

viii. Any other matter set out in a specific provision of this Law.

2. Regulations may be prescribed for the protection of customers and the integrity and development of payment systems and the use of negotiable instruments in Cambodia. To such ends, regulations may restrict, limit or preclude the use of checks or other payment orders from designated categories of accounts and persons or set out conditions for such use. Regulations issued under this Law may also restrict liability of individuals, or specify restrictions and preconditions for such liability, in connection with, negotiable instruments and payment transactions from or to accounts, used primarily for personal or household and non-business purposes.

3. Regulations issued by the National Bank of Cambodia under this Law may determine standards by which the performance of duties under the Law may be

measured and modify any time period or deadline for an action or inaction set by this Law, for all or specified categories of parties, participants, negotiable instruments or payment transactions.

4. Regulations issued by the National Bank of Cambodia under this Law are binding on all parties interested in the handling of a payment order and shall supersede any inconsistent agreement, including interbank clearing rule, to the extent of the inconsistency.

5. Regulations, rules, instructions and guidelines issued by the National Bank of Cambodia under this Law may govern procedures and provide for time limits, rights and remedies in case of an emergency, including such as caused by computer breakdown or system malfunction, preventing the effectuation of payment transactions or the execution of payment orders. Regulations may suspend obligations and time limits for the duration of the emergency.

6. Regulations issued by the National Bank of Cambodia are to be published in the Official Gazette. They will take effect on the date of such publication or such later date as they specify.

Article 234. All provisions contrary to this Law are hereby superseded. In case of conflict between this Law and any other law, other than in a case specifically stated in this Law, the provisions of this Law shall prevail.

Signature and Seal

NORODOM SIHAMONI

LAW ON COMMERCIAL ENTERPRISES

Chapter 1 – General Provisions

Article 1: Scope

This law applies to a partnership and company carrying on business in the Kingdom of Cambodia. A partnership composes of a general partnership and a limited partnership. A company composes of a private limited company and public limited.

Article 2: Definitions

(1). **"person"** includes a natural person and a legal person.

(2). **"Registrar"** means the Registrar appointed pursuant to the Law on Commercial Rules and Register.

"Registrar's Office" means the office created pursuant to the Law on Commercial Rules and Register.

"subsidiary" means a partnership or company controlled by another partnership or company, called a **"parent"**

(a) In the case of a subsidiary partnership, the parent partnership owns at least a majority of the interest of the subsidiary.

(b) In the case of a subsidiary company, the parent company owns at least a majority of the company's voting shares.

Article 3: Registered agent and registered office

A partnership or company shall continuously maintain in the Kingdom of Cambodia, a registered office and a registered agent.

A partnership or company shall file with the Registrar the specific location of the registered office, including street address, and mailing address in the Kingdom of Cambodia, if different from the street address.

A partnership or company shall file with the Registrar the name of the registered agent. The registered agent shall be a legally competent natural person. The registered agent shall have authority to receive official papers and documents, including summonses and subpoenas from the courts, on behalf of the partnership or company.

A partnership or company shall file with the Registrar any changes to the registered office or registered agent within fifteen (15) official business days after the change takes effect.

Any company that incorporated under this Law shall govern by the laws of the Kingdom of Cambodia.

Article 4: Delivery of documents

Documents of any description required by law to be delivered to a partnership or company shall be delivered to the registered agent at the registered office during the normal business hours of the partnership or company, unless another method is specified by law.

Alternatively, the documents may be delivered to a partner in the case of a general partnership, a general partner in the case of a limited partnership, or a director in the case of a company.

If delivery cannot be made by the methods above, the documents may be delivered to the Registrar who shall mail them to the last known address of the partnership or company as shown on the Registrar's records. Delivery to the Registrar shall be considered delivery to the partnership or company

Article 5: Use of Khmer name

A partnership or company shall display its name in the Khmer language. The Khmer name shall be placed above and shall be larger than the name in another language. The translation of company's name from one language to another language shall be prohibited. The Khmer name shall sound phonetically the same as the name in the other language.

A partnership or company shall display the Khmer name on all seals, signs letterhead, and forms and documents used for public purpose, and on all public advertisements displayed on land, on water or in the air within the Kingdom of Cambodia.

A partnership or company may use and be designated by a name in another language outside of the Kingdom of Cambodia.

Article 6: Non-payment of fees, fines, interest and penalties

A partnership or company that has failed to pay any fee, fine, interest or penalty which is owed to the Ministry of Commerce shall be barred from filing any lawsuit or asserting any defense in any civil lawsuit against it until all such fees, fines, interest and penalties have been paid in full.

This section does not bar a partnership or company from filing or defending a lawsuit to determine whether the fee, fine, interest or penalty is owed.

If a party alleges that a partnership or company owes a fee, fine, interest or penalty to the Ministry of Commerce, the partnership or company may submit a receipt to the court. The court shall accept the receipt as proof of payment until proven otherwise.

Article 7: Annual declaration

Each partnership or company shall file an annual declaration with the Ministry of Commerce concerning the status of the partnership or company.

Chapter 2 – General Partnerships
Part 1. General Provisions

A. The Establishment of a General Partnership

Article 8: Nature of partnership

A general partnership is a contract between two or more persons to combine their property, knowledge or activities to carry on business in common with a view to profit.

Article 9: Form of contract

The contract of general partnership may be verbal or in writing. If the general partnership contract is in writing, all partners shall sign it.

Article 10: Rules of determining existence of partnership

When the contract is ambiguous the court shall consider the following rules to determine whether the parties had a common intention to form a general partnership:

(a) The fact that two or more persons jointly own property, whether the persons share in the profits made by the property or not, whether a general partnership does by itself create a partnership by the property or not.
(b) The fact that two or more persons share the gross receipts from commercial activity, whether or not the persons have joint or common rights in any property that generates the receipts, whether a general partnership does by itself create a partnership by joint or common rights in any property.

Article 11: Date of creation

When a general partnership is formed, the parties are bound to the contract at the time the contract is made, unless the contract states otherwise.

Article 12: Legal personality

A general partnership has a legal personality separate from that of each of its partners. A general partnership shall acquire legal personality when it registers in accordance with the Law on Commercial Rules and Register, and shall have the following rights.

(a) to own movable and immovable property in its own name;

(b) to carry on business in its own name;

(c) to contract in its own name; and

(d) to sue and be sued in its own name.

Article 13: Nationality

A general partnership that has acquired legal personality shall be deemed to be of Khmer nationality only if:

(a) The general partnership has a place of business and a registered office located in the Kingdom of Cambodia; and

(b) More than 51% of the record ownership interest in such general partnership is held by natural or legal persons of Khmer nationality.

Article 14: Name of partnership

The name of a general partnership shall include the name of one or more of the partners, and the words "General Partnership" shall be placed at the end or below the name. A general partnership shall use its name when carrying on business.

Article 15: Liability for registration, filing and publication

Each partner is individually responsible for complying with the registration, filing and publication requirements for the general partnership.

B. Relations of Partners to One Another

Article 16: Nature of partner's contribution

Each partner may:

(a) Contributions to the general partnership in cash, in kind, in past services actually rendered or future services.
(b) Contribution in services consists of the general partner's knowledge or activities, but shall not consist of the exercise of influence obtained from public officials.

Article 17: Partner's debt for contribution

Each partner is a debtor to the general partnership for everything he promises to contribute to it.

Article 18: Contribution of property

When a partner undertakes to contribute property, the partner shall transfer the rights of ownership or enjoyment and shall place the property at the disposal of the general partnership.

Article 19: Monetary contribution

When a general partner undertakes to contribute a sum of money and fails to do so, the general partner is liable for interest from the day his contribution should have been made, subject to any additional damages which may be claimed from him.

Article 20: Contribution of knowledge or activities

When a general partner undertakes to contribute knowledge or activities, the general partner owes the obligation continuously as long as he remains a general partner.

The written general partnership contract, the books and records of the general partnership shall indicate whether a general partner's contribution consists of knowledge, services or activities.

Article 21: Capital of the partnership

The capital of the general partnership shall include the contributions in cash and in kind. The contributions in kind shall be valued and all general partners shall agree to this valuation.

The computation of the general partnership's capital shall not include contributions of knowledge, services or activities.

Article 22: Currency of capital

The capital of a general partnership shall be calculated in the national currency.

Article 23: Participation in profits and losses

Each general partner shares in the profits and losses of the general partnership.

A contract provision that excludes a general partner from sharing in the profits is not effective.

A contract provision that exempts a general partner from the obligation to share in the losses is not effective against third parties.

Article 24: Allocation of partner's interest

The proportion of the interest of each general partner in the assets, profits and losses is equal unless otherwise provided in the contract.

If the contract establishes a general partner's interest by referring only to the assets, profits or losses, the proportion established in that case is presumed to apply to all three cases.

Article 25: Partner accountable to partnership

Each general partner shall account to the general partnership for all benefits and profits the general partner derives without the unanimous consent of the other general partners from any transaction connected with the business of the general partnership or from the use of partnership property. The general partners may not waive this obligation.

Article 26: Partner's entitlement to wages

No general partner is entitled to wages for employment in the general partnership business.

Article 27: Liability for damage

A general partner is liable to the general partnership for damages caused the general partner's fault.

Article 28: Disbursement on behalf of the partnership

A general partner, acting in good faith, has the right to recover the amount of the disbursements he makes on behalf of the general partnership and to indemnification for contractual obligations he makes and losses he suffers in acting for the general partnership.

Article 29: Receipt of amount by a partner

This article applies where

(a) a general partner, on his own behalf, and the general partnership are both creditors of the same debtor;
(b) both debts are payable; and
(c) the debtor pays the general partner, but not the general partnership. In this case, the amount the general partner receives shall be allocated proportionately to the personal claim and the general partnership's claim.

Article 30: Partner and partnership's property

Each general partner may use the property of the general partnership, provided he uses it in the interest of the general partnership.

Each general partner may use the property of the general partnership for his personal use provided that he obtains the unanimous consent of the other general partners.

Each general partner shall use the property of the general partnership in such a way as not to prevent the other general partners from using it, as they are entitled.

Article 31: New partner

No natural or legal person may become a general partner without the unanimous consent of all general partners.

A general partner may assign his right to receive moneys to which he is entitled without the consent of other general partners. This assignment does not make the recipient a general partner in the general partnership.

Article 32: Transferability of partner's interest

A general partner may transfer his interest in the general partnership with the unanimous consent of all general partners.

Article 33: Partner's interest as guarantee

The share of a general partner in the assets or profits of the general partnership may be used as a guarantee of personal obligations of that general partner. Such a guarantee shall be given with the unanimous consent of the general partners.

Any agreement to the contrary is not effective.

Article 34: Management of partnership – general

The general partners may decide their respective powers in the management of the affairs of the general partnership.

Article 35: Appointment of manager

The general partners may appoint one or more fellow general partners or a person who is not a general partner to manage the affairs of the general partnership.

The manager may perform any act within his powers, provided he does not act fraudulently. The act of the manager binds the general partnership.

A manager shall be removed by a vote of a majority of the general partners unless otherwise provided in the general partnership contract.

Article 36: More than one manager

When several persons are appointed as managers, each manager may act separately unless otherwise provided in the general partnership contract.

Article 37: Partner's power to manage

The general partners are deemed to have conferred the power to manage the affairs of the general partnership.

Any act performed by a partner in respect of the common activities of the general partnership binds the other general partners.

Article 38: Decision making process of the partners

Every general partner has the right to participate in general partnership decisions, and may not be prevented from exercising that right by the general partnership contract.

Unless otherwise provided in the general partnership contract, decisions are taken by the vote of a majority of the general partners, regardless of the value of their interest in the general partnership. However, decisions to amend the general partnership contract are taken by a unanimous vote.

Article 39: Right to information

Each partner has the right to obtain information about the affairs of the general partnership and to consult its books and records even if he is excluded from management.

In exercising this right, the partner shall not unreasonably impede the operations of the general partnership or prevent the other general partners from exercising the same right.

C. Relation of General Partnership with Third Parties

Article 40: Partner as agent

Each general partner is an agent of the general partnership in respect of third parties acting in good faith and each general partner binds the general partnership for every act performed in its name in the ordinary course of its business. Any agreement to the contrary is not effective.

Article 41: Partnership bound by contracts of partner

An obligation contracted by a general partner in his own name binds the general partnership when the obligation is within the scope of the business of the general partnership or when its subject matter is property used by the general partnership.

Article 42: Partner's liability

All general partners are jointly and severally liable for the obligations of the general partnership.

A third party shall seek enforcement of obligations against the general partnership and general partnership assets prior to seeking enforcement against the general partners.

Article 43: New partner's liability

A person admitted as a general partner into an existing general partnership shall be liable for all liabilities the general partnership incurred before his admission as if he had been a partner when such liabilities were incurred. However, all liabilities incurred prior to his admission as a general partner can be satisfied only out of the general partnership property and not out of his personal property unless he agrees otherwise in writing.

Article 44: Knowledge of partnership

Notice given to any general partner concerning general partnership affairs or the knowledge of any general partner shall be considered notice to or knowledge of the general partnership except in the case of a fraud committed on the general partnership with the participation of that general partner.

Article 45: Misrepresentation

A person who directly or indirectly causes another person to believe that he is a partner, although he is not, may be held liable as a general partner to third parties acting in good faith.

In case of fraud as mentioned above, the general partnership is not liable to third parties unless the general partnership gives reasons to believe that the person is a general partner and the general partnership fails to take measures to prevent third parties from being mistaken.

Article 46: Silent partner

A general partner who has not been declared is called a silent partner and is liable to third parties for the same obligations as declared general partners.

Article 47: Distribution of security

A general partnership may not make a distribution of securities to the public or issue negotiable instruments.

Any contract entered into and any issuance of securities or instruments made in contravention of this article are void.

The general partnership shall compensate a third party acting in good faith for damages resulting from the void contract, securities or instruments.

D. When a Person Ceases to be a General Partner

Article 48: When a person ceases to be a partner

A person ceases to be a general partner of a general partnership when the person:

- transfers his interest,
- dies,
- is placed under protective supervision bankrupt
- exercises his right to withdraw,
- is expelled from the general partnership,
- a judgment authorizes his withdrawal or orders the seizure of his interest.

Article 49: Effect on partnership

Unless the general partnership contract provides otherwise, the fact that a person ceases to be a general partner does automatically cause the dissolution of the general partnership.

The general partnership may continue by unanimous consent of all of general partners and by complying with filing and registration requirements to reflect the changes in the general partnership.

Where there is a written contract of general partnership, the contract shall be amended in accordance with the changes.

Article 50: Right of a person who ceases to be a partner

A person who ceases to be a general partner of the general partnership, otherwise than by the transfer or seizure of his interest, may obtain the value of his interest upon ceasing to be a general partner. The other general partners are bound to pay the person the amount of the value as soon as it is established, with interest from the day on which he ceases to be a general partner.

The value of the interest is determined as provided in the general partnership contract or an agreement among the general partners. Otherwise, the value is determined by an expert designated by the general partners or by the court.

Article 51: Right of withdrawal

A general partner of a general partnership constituted for a term that is not fixed or whose contract of general partnership reserves the right of withdrawal may withdraw from the general partnership by giving the general partnership notice of his withdrawal, in good faith.

Unless the general partnership contract provides otherwise, a general partner of a general partnership constituted for a term that is fixed may withdraw only with the agreement of a majority of the other general partners.

Article 52: Expulsion of a partner

The general partners may, by a majority vote, agree on the expulsion of a general partner who fails to perform his obligations or hinders the carrying on of the activities of the general partnership.

In the case of any objection, a general partner may, in these circumstances, apply to the court for authorization to withdraw from the general partnership. The court shall grant the demand unless the court considers it more appropriate to order the expulsion of the general partner at fault.

E. Dissolution and Liquidation of the General Partnership

Article 53: Cause of dissolution

A general partnership is dissolved by the:

(a) causes of dissolution provided in the contract of general partnership

- the termination of the general partnership's object,
- the impossibility of accomplishing it,
- the unanimous consent of all the general partners.

(b) The court may dissolve a general partnership for a legitimate cause. Once the general partnership is dissolved, it shall be proceed with the liquidation of the general partnership.

Article 54: Continuation of partnership with a fixed term

Any general partnership constituted for an agreed term may be continued by unanimous consent of all the general partners.

Article 55: One partner

The uniting of all the interests in the hands of a single general partner does not cause dissolution of the general partnership, provided that at least one other person becomes a general partner within one hundred and twenty (120) days after the interests are united.

Article 56: Rights of partners upon dissolution

The powers of the general partners to act on behalf of the general partnership cease upon the dissolution of the general partnership, except for acts that are a necessary consequence of business already begun but not complete. However, anything done in the ordinary course of business by a general partner who is not aware of the dissolution of the general partnership and acting in good faith binds the general partnership and the other general partners as if the general partnership were still in existence.

Article 57: Rights of third parties upon dissolution

Dissolution of the general partnership does not affect the rights of third parties acting in good faith and who entered into a contract with a general partner or an agent acting on behalf of the general partnership.

Article 58: Legal personality of partnership

The legal personality of the general partnership continues to exist for the purpose of liquidating its business.

Article 59: Notice of dissolution

The general partners shall file a notice of the dissolution in the prescribed form with the Registrar and appoint a liquidator.

The general partners shall immediately publish the notice of dissolution for four (4) consecutive weeks in a Khmer language newspaper in the Kingdom of Cambodia published or distributed in the place where the general partnership has its registered office or in other publications as provided by regulations of the Ministry of Commerce. The notice published in newspaper shall be set in regulations adopted by the Minister of Commerce.

Article 60: Powers of the liquidator

Upon dissolution of the general partnership, the possession and the use of general partnership property is delivered to the liquidator.

The liquidator acts as an administrator of the property. The liquidator is entrusted with full administration powers.

The liquidator is entitled to require from the general partners any documents and any explanation concerning the rights and obligations of the general partnership.

Article 61: Order of payment in liquidation

The liquidator first shall pay the salary of employee, tax, and other priority debts , then reimburses the capital contributions.

The liquidator partitions the remaining assets among the general partners in proportion to their rights or, if not provided in the general partnership contract, in equal portions.

If the assets include property owned by third parties, the liquidator may return the property to the third party.

Article 62: Books and records

The liquidator shall keep the books and records of the general partnership for ten (10) years from the closing of the liquidation. The liquidator shall keep books and records for a longer period if they are required as evidence in a proceeding.

Article 63: Closing of liquidation and legal personality

The liquidation of a general partnership is closed by the filing of a notice of closure in a prescribed form with the Ministry of Commerce. The filing of this notice is ceased to exist the legal personality of the general partnership.

Part 2. Limited Partnerships

Article 64: Nature of Limited Partnership

A limited partnership is a contract between one or more general partners who are the sole persons authorized to administer and bind the partnership, and one or more limited partners, who are bound to contribute to the capital of the partnership.

Article 65: One person as both limited and general partner

A person may at the same time be both a general partner and a limited partner in the same limited partnership.

A person who is at the same time both a general partner and a limited partner in a limited partnership has the rights and obligations of a general partner

Article 66: Form of contract

The contract of limited partnership may be verbal or in writing. If the contract is in writing, all general partners and at least one limited partner shall sign it.

The term of the limited partnership contract may not be in excess of 99 years but may extend.

Article 67: Date of creation

The limited partnership is formed on the date on which it is registered in accordance with the Law on Commercial Rules and Register.

If the limited partnership is not registered, it is deemed to be a general partnership. In this case, such general partnership does not have a legal personality.

Article 68: Name

The name of a limited partnership shall include the name of one or more of the general partners, and the words "Limited Partnership" shall be placed at the end or below the name. A limited partnership shall use its name when carrying on business.

Article 69: Record of limited partners

The general partners shall keep a record containing the name and domicile of each of the limited partners and any information concerning their contributions to the capital of the limited partnership.

The general partners shall keep the record at the principal place of business of the limited partnership.

The general partners shall responsible for complying with the registration, filing and publication requirements for the limited partnership.

Article 70: Nature of partners' contribution

A limited partner's contribution to capital may consist of a sum of money or property only. The limited partner may make additional contributions at any time.

A general partner's contribution to capital may be in cash, in kind, in past services actually rendered or future services.

Article 71: Participation of limited partner in profits and losses

A limited partner is entitled to receive his share of the profits. If the payment of the profits reduces the capital of the limited partnership resulting in a deficit, the limited partner who received the payment shall return the sum necessary to cover his share of the deficit.

Article 72: Liability of limited partner

The limited partner is liable only to the extent of the sum of money or value of the property he agreed to contribute.

Article 73: Name of limited partner used in limited partnership's name

A limited partner whose name appears in the name of the limited partnership is liable for the obligations of the limited partnership in the same manner as a general partner, unless his status as a limited partner is clearly indicated.

Article 74: Powers, rights, obligations of general partner

General partners have the rights and obligations of the partners of a general partnership. General partners shall account for their administration to the limited partners.

The general partners have the obligations to the limited partners' property of the limited partnership. The limited partnership contract may not waive this obligation.

Article 75: Liability of general partner

The general partners are jointly and severally liable for the debts of the partnership to third parties.

Article 76: Limited partner's entitlement to wages

A limited partner may receive wages from the limited partnership.

Article 77: Limited partner's right to withdraw

While the limited partnership exists, in any manner whatsoever, a limited partner may not withdraw any part of his contribution, unless the majority of all other partners consent and the property remaining in the limited partnership after the withdrawal is sufficient to discharge the debts of the limited partnership.

Article 78: Transferability of limited partner's interest

A limited partner may transfer his interest in the limited partnership without the unanimous consent of other partners.

With respect to third parties, the limited partner who transferred his interest remains liable for the obligations that may result from his contribution at the time he was still a limited partner of the partnership.

Article 79: Management – limited partner

A limited partner shall not participate in the management of the limited partnership's business.

A limited partner may, from time to time, examine the reports and progress of the limited partnership, and may give advisory opinions with regard to the management of the limited partnership.

A limited partner may not negotiate any business on behalf of the limited partnership, act as agent for the limited partnership, or allow his name to be used in any act of the limited partnership.

A limited partner who performs any of these acts is liable for the obligations of the limited partnership resulting from these acts.

A limited partner may be held responsible in the same manner as a general partner for all the obligations of the limited partnership if the number of these acts, or the importance of them with respect to the partnership business, indicate that the limited partner in fact acted as a general partner.

Article 80: When general partners not able to act

When the general partners can no longer act, the limited partners may perform any act of simple administration required for the management of the limited partnership.

If the general partners are not replaced within one hundred and twenty (120) days, the limited partnership is dissolved.

Article 81: Law suit against the partnership

A third party who is a creditor may claim the debts against the limited partnership and the general partners in the same manner as the general partnership.

Where the property of the limited partnership is insufficient, the general partners are jointly and severally liable for the debts of the limited partnership to third persons. A limited partner is liable for the debts up to the agreed amount of his contribution, notwithstanding any transfer of his interest.

Article 82: Insufficiency of partnership's assets – third parties

Where the property of the limited partnership is insufficient, the general partners are jointly and severally liable for the debts of the limited partnership to third persons. A limited partner is liable for the debts up to the agreed amount of his contribution, notwithstanding any transfer of his interest.

Article 83: Insufficiency of partnership's assets – limited partners

In the case of insolvency or bankruptcy of the limited partnership, a limited partner may not, in his status as a limited partner, claim as a creditor until the other creditors of the limited partnership are satisfied.

Article 84: Application of provisions dealing with general partnership

The rules governing general partnerships shall also apply to limited partnerships.

Chapter 3 – Limited Company and Public Limited Company
Part 1. General provisions

Article 85: Application

This Law authorizes the formation of private limited companies and public limited companies to carry on business in the Kingdom of Cambodia.

A company shall not be formed under this Law to carry on the business of a bank, an insurance company or a finance company.

Article 86: Nature of Private Limited Company

A "Private Limited Company" is a form of a limited company that meets the following requirements.

(a) The company may have 2 to 30 shareholders. However, one person may form a company called single member private limited company. The requirements of a single member private limited company are the same manner as a private limited company except the relationship of shareholder to one another.
(b) The company may not offer its shares or other securities to the public generally, but may offer them to sharesholders, family members and managers.
(c) The company may have one or more restriction on the transfer of each class of its shares.
(d) A company treated as a private limited company from the date of registration with the Commercial Registrar pursuant to the prescribed form provided by the Ministry of Commercce.

Article 87: Nature of Public Limited Company

A "Public Limited Company" is a form of a limited company that is authorized by this Law to issue securities to the public.

Article 88: Interpretation

In this Chapter, the technical words shall have the following meaning:

(1). "articles" means the original or restated articles of incorporation or articles of amendment,.

(2). **"auditor"** means a chartered accountant who practices individually or within a chartered accountants firm.

(3). **"debt obligation"** means a bond, debenture, note or other evidence of debt, or guarantee of a company, whether secured or unsecured.

(4). **"Director of Companies"** means the officers appointed by the Minister of Commerce to administer this Law.

(5). **"director"** means a member of the board of directors of a company.

(6). **"incorporator"** means a natural person who signs articles of incorporation.

(7). **"ordinary resolution"** means a resolution passed by a majority of the votes cast by the shareholders who voted on the resolution.

(8). **"redeemable share"** means a share issued by a company

- that the company may purchase or redeem on the demand of the company,

- that the company is required by its articles to purchase or redeem at a specified time or on the demand of a shareholder.

(9). **"series"** in relation to shares, means a division of a class of shares.

(10). **"special resolution"** means a resolution passed by a majority of not less than two-third of the votes cast by the shareholders who voted on that resolution or signed by all the shareholders entitled to vote on that resolution.

(11). **"security"** means

(a) a share of any class or series of shares of a company,

(b) a bond,

(c) includes a certificate evidencing a security.

Article 89: Affiliate - interpretation

A company is affiliated with another company if one of them is the subsidiary of the other or both are subsidiaries of the same company or each of them is controlled by the same person.

If two companies are affiliated with the same company at the same time, they are deemed to be affiliated with each other.

Article 90: Liability for registration, filing and publication

Each incorporator or director, as the case may be, is responsible for complying with the registration, filing and publication requirements.

Part 2.

A. Formation of a Limited Company

Article 91: Creation of Limited Company

One or more competent natural persons or legal persons may create a limited company by filing articles of incorporation with the Director of Companies.

Article 92: Name of company

The name of a Private Limited Company shall include, at the end, the words, "Private Limited Company", or an appropriate abbreviation.

The name of a Public Limited Company shall include, at its end, the words "Public Limited Company" or an appropriate abbreviation.

The Director of Companies shall examine the name proposed by the company and may reject any name that is confusingly similar to another previously registered name or contrary to public order, vulgar, scandalous or otherwise inappropriate. A decision of the Director of Companies concerning the company's name is the binding and final decision.

Article 93: Articles of Incorporation, required contents

The articles of incorporation shall state the following information:

(a) The name of the company.
(b) The company's Registered Office in the Kingdom of Cambodia.
(c) The objectives of the company and any restrictions on the business that the company may carry on. Company objectives may include one or more types of businesses not contrary to any provision of law.
(d) The authorized capital to be stated in national currency.
(e) The classes and any maximum number of shares and the par value per shares that the company is authorized to issue.
(f) If the company is authorized to issue more than one class of shares, the articles of incorporation shall state the maximum number of shares, and the par value per share and shall describe the rights, privileges, restrictions and conditions attached to each class.
(g) If a class of shares may be issued in series, the articles shall authorize the directors to fix the number of shares in each series, to determine the designation of each series, and to determine the rights, privileges, restrictions and conditions attached to each series.
(h) If the issue, transfer or ownership of shares of the company is to be restricted, a statement to that effect and a statement as to the nature of such restrictions.
(i) The name and complete address of each shareholder.
(j) The number of directors, or the maximum and minimum number of directors of the company.

Article 94: Additional provisions in articles

The articles may also include any provision that is necessary.

Article 95: Signature of articles

The articles may be executed either through a private agreement or through a notary. The articles shall be signed or initialed by all the shareholders.

Article 96: Delivery of articles

An incorporator shall submit the articles to the Director of Companies for filing attached with other documents for registration.

Article 97: Certificate of incorporation

After accepting the articles of incorporation for filing, and after receiving the filing fee, the Director of Companies shall issue a certificate of incorporation.

Article 98: Effect of certificate

A company comes into existence and acquires legal personality on the date shown in the certificate of incorporation.

B. Capacity and Rights of the Company

Article 99: Capacity of a company

Subject to this law, a company has the capacity, rights and privileges of a natural person. A company may carry on business throughout the Kingdom of Cambodia.

Article 100: Extra-territorial capacity

A company has the capacity to carry on its business, conduct its affairs and exercise its rights in any jurisdiction outside of the Kingdom of Cambodia to the extent that the laws of such jurisdiction permit.

Article 101: Nationality

A company shall be deemed to be of Khmer nationality only if:

(a) The company has a place of business and a registered office located in the Kingdom of Cambodia;
(b) More than 51% of the voting shares of the company are held by natural or legal persons of Khmer nationality.

Article 102: Bylaws

A company may adopt bylaws that regulate the business or affairs of the company.

It is not necessary for a bylaw to be adopted in order to confer any particular rights on the company or its directors.

Article 103: Restricted business or powers

A company shall not carry on any business or exercise any rights that is restricted by its articles, nor shall the company exercise any of its rights in a manner contrary to its articles.

Article 104: Rights preserved

The fact that a company acts in violation of its articles or bylaws does not, by itself, invalidate such acts. This rule applies to all acts, including the transfer of property to the company or by the company.

Article 105: No constructive notice

The fact that the Director of Companies files company documents, or the fact that a document is available for inspection and copying at the company office does not, by itself, affect any person or give notice or knowledge of the contents of the documents to any person.

Article 106: Protections for third persons

A company, or a person who guarantees an obligation of the company, may not allege the following points against a third person who deals with the company, or a third person who acquires rights from the company. However, these points can be alleged if the third person knew or should have known these points because of his position or relationship with the company.

(a) the articles and by-laws have not been complied with,
(b) the persons named in the most recent notice of directors sent to the Director of Companies are not the directors of the company,
(c) the place named in the most recent notice of registered office sent to the Director of companies is not the registered office of the company,
(d) a person that the company holds out as a director, an officer or an agent of the company has not been appointed or has no authority to exercise the powers and perform the duties that are customary in the business of the company or usual for such director, officer or agent,
(e) a document issued by any director, officer or agent of a company is not valid or not genuine,
(f) loans and guarantees, or a sale, lease or exchange of property were not authorized.

C. Registered Office, Books and Records

Article 107: Registered office

At all times, a company shall have a registered office in the Kingdom of Cambodia, located in the place specified in its articles.

Article 108: Notice of registered office

A company shall send the Director of Companies, on the prescribed form, notice of the location of the registered office, together with the relevant portions of the articles designating or changing the location.

A company shall send to the Director of Companies, on the prescribed form, notice of a change of address of its registered office. The notice shall be sent within fifteen (15) days of the change.

Article 109: Corporate records

A company shall prepare and maintain, at its registered office, records containing

(a) the articles and by-laws, and all amendments thereto;
(b) minutes of meetings and resolutions of shareholders;
(c) copies of all notices required to be sent or filed in accordance with this law;
(d) a securities register.

Article 110: Access to corporate records

Shareholders and creditors of a company, their agents and legal representatives and the Director of Companies may examine the corporate records described above during the usual business hours of the company and may take extracts, free of charge.

If the company is a public limited company, any other person may take extracts of the corporate records in payment of a reasonable fee.

Article 111: Use of shareholder lists

Any list of shareholders shall not be used by any person except in connection with

(a) an effort to influence the voting of shareholders of the company;
(b) an offer to acquire shares of the company;
(c) any other matter relating to the affairs of the company.

Article 112: Directors records

A company shall prepare and maintain adequate records and records containing minutes of meetings and resolutions of the directors and any committee of directors.

The Directors records shall be kept at the registered office of the company or at such other place as the directors think fit and shall at all reasonable times be open to inspection by the directors.

Article 113: Accounting records

A company shall prepare and maintain adequate accounting records for a period of ten (10) years after the end of the financial year to which the records relate.

If accounting records are kept at a place outside the Kingdom of Cambodia, copies of these accounting records shall also be kept at the registered office.

Article 114: Company's duty to preserve records

A company and its agents shall take reasonable precautions to ensure that company books and records are maintained in an accurate and properly preserved condition.

Article 115: Corporate seal

An instrument or agreement executed on behalf of a company by a director, an officer or an agent of the company is not invalid merely because a corporate seal is not affixed thereto.

D. Directors and Officers

Article 116: Initial directors

At the time of filing the documents and articles of incorporation, the incorporators shall send to the Director of Companies a notice of directors on a form prescribed by the Ministry of Commerce.

After issuance of the certificate of incorporation, an incorporator or a director may call the meeting of directors by giving not less than five (5) days notice by mail to each director, stating the time and place of the meeting.

The initial directors shall hold office from the date of incorporation until the first general meeting of the shareholders.

Article 117: Shareholders' Organizational Meeting

The initial directors shall organize the first shareholder's general meeting within one (1) year after the company is formed. Notice of the meeting shall be given in writing at least twenty (200 days in advance to those persons entitled to attend the meeting. The notice shall state the date, place, and agenda of the meeting.

Article 118: Number of Directors

A private limited company shall have one or more directors.

A public limited company shall have at least three (3) directors.

Shareholders shall elect directors by ordinary resolution of shareholders who have the rights to vote.

Article 119: Powers of Directors

The directors shall manage the business and affairs of a company. The articles of incorporation shall provide for the rights of the directors namely:

(1). Propose to the shareholders an agreement of merger or consolidation between the company and any other person;
(2). Appoint and remove all officers and determine the specific rights for such officers; Set the salaries and other compensation of such officers;

(3). Fix the salary or other compensation for directors and submit them to shareholders for approval;
(4). Issue notes, bonds, debentures and other evidences of debt of the company and fix their absolute, relative and contingent characteristics;
(5). Propose to shareholders the amendments or annulments to the articles of incorporation;
(6). Propose to the shareholders an agreement of merger or consolidation between the company and any other person
(7). Propose to the shareholders the sale of all or major part of the company's assets;
(8). Propose to the shareholders a dissolution or liquidation of the company;
(9). Declare dividends in accordance with accounting principles and the terms of payment of each class of shares entitled to receive dividends;
(10). Issue shares in the company to the extent authorized in the articles of incorporation and bylaws;
(11). Borrow money;
(12). Issue, reissue or sell security of the company;
(13). Give a guarantee on behalf of the company;
(14). Mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the company to secure any obligation of the company;
(15). Close account books of each financial year and propose the annual profits for submission to the shareholders and shareholders' general meeting..

Article 120: Qualifications of Directors

Any legally competent natural person over eighteen (18) years old may serve as a director or officer of a company. A director is not required to be a shareholder or to meet any other qualification unless the articles or bylaws impose specific qualifications on them.

Article 121: Term of Office for Director

If the articles do not provide a term, each director shall be elected for a term of two (2) years and may be re-elected.

Article 122: Staggered terms for directors

Terms of directors may be staggered so that all their terms do not end in the same year.

Article 123: Classes of directors

The articles may also confer on the holders of each class of shares the right to elect one or more directors who shall serve the terms and shall manage other affairs provided by the articles. The terms of office and voting powers of directors of any such class may be greater or less than those of any other class of directors.

Article 124: Removal of director

A director may be removed with or without cause by a majority of the shareholders entitled to vote for the director.

Article 125: Resignation of director

A director may resign at any time by giving written notice to the company. The resignation shall take effect immediately or at the time stated in the notice.

A director who is the last director remaining in office, and who resigns before another director has been appointed shall be liable for damages caused to the company by his resignation.

Article 126: Continuation in office

A director may continue to serve after his term expires until a replacement has been elected.

Article 127: Chairman of the Board

The board of directors shall elect a chairman from among its members. The chairman may be removed from the office of chairman, but not from his position as a director, by a majority vote of the directors.

Article 128: Calling meetings

The chairman has the right to call directors' meetings. One-third of the total number of serving directors may call a director's meeting.

Unless the articles or bylaws provide otherwise, the board meeting shall be conducted within the Kingdom of Cambodia.

The board of directors shall be held at least once every three (3) months. The adoption of the Board Directors Resolution shall be decided base on the majority vote of the members or representatives that were presented in the meeting

Article 129: Notice of meetings

The board of directors may meet at any place as stated in the notice. The notice shall state the date and detail agenda the meeting.

A director may waive a notice of a meeting of directors. However, attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

Article 130: Board consultations

Unless otherwise provided in the articles, the directors may act by written communication among themselves.

Each director shall receive the contents of the resolution that has been proposed for review and adoption, supporting background information, and a ballot for voting "yes" or "no" on the matter.

If all directors vote to approve a matter, it is deemed approved by the board.

All written responses shall become part of the records of the board. The secretary of the company shall prepare a written report of the written communications and shall distribute this report to the directors.

Article 131: Committees

The board of directors may, as it deemed necessary, establish committees to facilitate its affairs. Committees of the board of directors may be established by a majority of the board of directors in a written resolution. Each committee shall consist of one or more directors to be appointed by a majority of the board of directors. Committees shall conduct their meetings in the same manner as the board of directors. Each committee shall have the rights granted to it by the written document that creates it. A committee, however, may not be delegated any authority to take those actions as the following:

(a) To propose to shareholders amendments to the articles or bylaws;
(b) To propose to the shareholders an agreement of merger or consolidation between the company and any other person;
(c) To propose to the shareholders the sale of all or major part of the company's assets;
(d) To propose to the shareholders a dissolution or liquidation of the company;
(e) To declare dividends; and
(f) To issue shares in the company.

Article 132: Conduct of meetings

A majority of the total number of directors presented in the meeting shall constitute a quorum of the board of directors, or of the board committee but the articles may require a greater number.

A director shall have one vote. A director may be a proxy for another director in the meeting of the board of directors, provided that he shall have a written authorization signed by the director for whom he is acting.

The secretary shall prepare and keep minutes of all meetings of the board and shall send copies of them to all directors.

Article 133: indemnification

A company may indemnify a present or former director, officer or other employee of a company in the performance of his duties where he has acted both reasonably and in good faith.

Indemnity shall be extended where the director, officer or other employee relied in good faith on the accuracy of the books or records of the company, or on other information, opinions, reports or statements presented to him by any officer of the company or any other person.

Indemnity shall cover the reasonable expenses or damages of any proceeding against the director, officer or employee arising out of his services to the company.

Article 134: Disclosure by director or officer

A director or officer of a company shall disclose the nature and extent of his interest in writing to the company or request to have a statement entered in the minutes of meetings of directors if he

(a) is a party to a contract or proposed contract with the company, or

(b) has a material interest in any person who is a party to a contract or proposed contract with the company,

Article 135: Time of disclosure for director

In the case of a director, disclosure shall be made

(a) at the meeting at which a proposed contract is first considered;
(b) if the director was not then interested in a proposed contract, at the first meeting after he becomes so interested;
(c) if the director becomes interested after a contract is made, at the first meeting after he becomes so interested;
(d) if a person who is interested in a contract later becomes a director, at the first meeting after he becomes a director.

Article 136: Time of disclosure for officer

In the case of an officer, the disclosure shall be made

(a) as soon as he becomes aware that the contract or proposed contract is to be considered or has been considered at a meeting of the board of directors;
(b) if the officer becomes interested before a contract is made, immediately after he becomes so interested; or
(c) if a person who is interested in a contract later becomes an officer, forthwith after he becomes an officer.

Article 137: Voting after disclosure

A director who has a conflict of interest shall not vote on any resolution to approve the contract unless the contract is

(a) an arrangement by way of security for money lent to or obligations undertaken by him for the benefit of the company or an affiliate;
(b) one relating primarily to his remuneration as a director, officer, employee or agent of the company or an affiliate;
(c) one for indemnity or insurance;
(d) one with an affiliate.

Article 138: Officers

Subject to the articles or the bylaws,

(a) the board of directors may designate the offices of the company, appoint officers,

specify their duties and delegate to them the powers to manage the business and affairs of the company;

(b) a director may be appointed to any office of the company;
(c) one or more offices of the company may be held by the same person.

Article 139: Pre incorporation contracts

A person who enters into a written contract in the name of or on behalf of a company before it comes into existence is personally bound by the contract and is entitled to the benefits thereof.

A company may, within a reasonable time after a contract has been made, adopt a written contract made before it came into existence and before it has adopt by the company. Such adoption shall base on any action or conduct signifying its intention to be bound thereby.

The company is bound by the contract and is entitled to the benefits thereof as if the company had been in existence at the date of the contract and had been a party thereto.

A person who claimed to act in the name of or on behalf of the company ceases to be bound by or entitled to the benefits of the contract, unless otherwise ordered by court.

Article 140: Directors' liability – consideration for share

The Directors who vote for or consent to a resolution authorizing the issuance of a share for a consideration other than money are jointly and severally liable to the company for the amount by which the consideration received is less than the fair equivalent of the money that the company would have received if the share had been issued for money on the date of the resolution.

A director is not liable if he proves that he did not know and could not reasonably have known that the share was issued for a consideration less than the fair equivalent of the money that the company would have received if the share had been issued for money.

An action to enforce a liability imposed by this Law may not be commenced after two years from the date of the resolution authorizing the action complained of.

Article 141: Others liability of directors

The Directors who vote for or consent to a resolution authorizing a purchase, redemption or other acquisition of shares, a reduction of stated capital, or a payment of a dividend contrary to the requirements of this chapter are jointly and severally liable to restore to the company any amounts so distributed or paid.

An action to enforce a liability imposed by this article may not be commenced after two (2) years from the date of the resolution authorizing the action complained of.

Article 142: Director’s dissent

A director who is present at a general meeting of the board of directors is deemed to have consented to any resolution passed or action taken at that meeting unless

(1) he requests that his dissent be entered in the minutes of the meeting;
(2) he sends his written dissent to the secretary of the meeting before the meeting is adjourned.

A director who was not present at a meeting at which a resolution was passed or action taken is deemed to have given consent unless within fifteen (15) days, after he becomes aware of the resolution he

(1). causes his dissent to be placed with the minutes of the meeting;
(2). sends his dissent by registered mail or delivers it to the registered office of the company.

E. Shares and Dividends

Article 143: Shares

Each share shall be in registered form. Each share has a par value and the company shall not issue any share at a price, which is less than the par value. The rights, privileges, restrictions and conditions attaching to the shares of each class shall be set out in the articles.

Article 144: Number, value and rights attached to shares

If the articles fail to provide the number and price attached to the shares, the company shall issue a minimum of one thousand (1,000) shares with a par value of not less than four thousand (4,000) Riels per share.

If the articles fail to specify the class of share, the company has only one class of shares and the rights of the holders of these shares are equal in all respects and include the rights

(1) to vote at any meeting of the shareholders of the company;
(2) to receive any dividend declared by the company;
(3) to receive the remaining property of the company on dissolution.

Article 145: Rights to classes of shares

The articles may provide for more than one class of shares and, if they so provide, the rights of each class of shares may be absolute or relative.. The rights, privileges, restrictions and conditions attaching to the shares of each class shall be set out in the articles. The rights set out in Article 144 of this law, shall be attached, individually or in their entirety, to at least one class of shares. The rights may include:

(a) Convertibility or exchangeability into other classes of shares or other securities of the limited company or another company, whether at the option of the limited company, at the option of the shareholders, or upon the occurrence of a specified event;
(b) Priority of entitlement to net assets upon liquidation or dissolution of the limited company;
(c) Redemption or repurchase at the option of the limited company or at the option of the holders of the share;
(d) Restrictions on transferability.

Article 146: Issue of shares – consideration for shares

Subject to the articles, the by-laws and any pre-emptive right of shareholders, shares and securities may be issued at the times and to the persons as the directors may determine.

The directors shall determine the price of the shares and securities to be issued.

A share shall not be issued until the payment for the share is fully paid in money, in kind, or past services.

Payment in kind, may include trademarks, copyrights, patents, and the right to use any intangible property or trademark license.

The directors determine the value of the payment in kind or past services and their decision shall be final and conclusive, if there is no actual fraud involved.

The shares in service shall not authorize for the public limited company.

Article 147: Liability of shareholder

The shareholder's liability to the company is limited to the price of the shareholder's subscription.

Article 148: Shares in series

The articles may authorize the issue of any class of shares in one or more series and may authorize the directors to fix the number of shares in and to determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, subject to the limitations set out in the articles. Except as otherwise provided, the rights, privileges, restrictions or conditions attached to the same class and series shall be identical.

Article 149: Stated capital account

A company shall maintain a separate stated capital account for each class and series of shares it issues.

A company shall add to the appropriate stated capital account the full amount of any payment in money, in kind or past services it receives for any shares it issues.

Article 150: Constraints on addition or reduction to a stated capital account

Where a company proposes to add any amount to a stated capital account it maintains in respect of a class or series of shares, if the amount to be added was not received by the company; the addition to the stated capital account must be approved by special resolution of the board of directors.

A company shall not reduce its stated capital account or any capital account. A company may reduce its capital account for any purpose by special resolution. The special resolution shall specify the capital account that will be reduced.

A company shall not reduce its capital account if there are reasonable grounds for believing that

(1). the company is, or after the payment would be, unable to pay its liabilities as they become due;
(2). the realizable value of the company's assets would be less than the aggregate of its liabilities.

This rule does not apply if the company reduces its capital account by an amount that is not represented by realizable assets.

A creditor of the company may apply to a court for an order directing the repayment of money or property received following a reduction of the capital account made contrary to this article.

An action to enforce a liability imposed by this article may not be commenced after two (2) years from the date of the resolution authorizing the action complained of.

Article 151: Pre-emptive right

If the articles provide for a right of pre-emption attaching to a class of shares, no further shares of that class shall be issued unless they have first been offered to the shareholders having the right of preemption on that class.

Shareholders have a pre-emptive right to acquire the offered shares in proportion to their holdings of the shares of that class, at such price and on such terms as those shares are to be offered to third parties.

Article 152: Options and rights

A company may issue certificates of conversion privileges, options, or rights to acquire securities of the company. In this case, the certificates or securities shall set out the conditions applicable to the conversion privileges, options or rights.

Conversion privileges, options and rights to acquire securities of a company may be made transferable or non-transferable, and options and rights to acquire may be made separable or inseparable from any securities to which they are attached.

Article 153: Share certificate

Each shareholder is entitled to receive a share certificate. There shall be stated on the face of each share certificate issued by a company: the name of the company, the name of the person to whom it was issued and the number and class of shares and the designation of any series that the certificate represents.

Article 154: Transfer of share

Subject to restrictions imposed by this law and the articles, shares are transferable. The company shall transfer the shares and make the appropriate entries in its books and records upon the request of both the transferor and the transferee.

Article 155: Acquisition of company's own shares

Subject to its articles, a company may purchase or redeem shares issued by it.

The company shall always have outstanding shares of at least one class of shares with full voting powers and which are not subject to mandatory redemption or repurchase.

If shares are redeemed, the shareholder has a duty to surrender them to the company, in return for payment of the redemption price. If he does not do so, the company may deposit the value of the redeemed shares to a separate account in a known bank and notify the shareholder in writing. The company shall cancel the redeemed shares on its books and records as soon as such funds are set aside. However, a company shall not make any payment to purchase or redeem shares issued by it if there are reasonable grounds for believing that

(1). the company is, after the purchase would be, unable to pay its liabilities as they become due
(2). the realizable value of the company's assets after purchasing would be less than the aggregate of its liabilities.

Shares purchased, redeemed or otherwise acquired by the company shall be cancelled or, if the articles limit the number of authorized shares, may be restored to the status of authorized but unissued shares of the class.

Article 156: Reduction of stated capital on redemption or purchase

When a company purchases, redeems or acquires its shares, the company shall make corresponding adjustments to the capital account maintained for the class or series of shares purchased, redeemed or acquired.

Article 157: Dividend declaration

Subject to any restrictions contained in its articles, the directors may declare dividends out of the company's surplus or out of its net profits.

The directors may set apart special reserves for the company to use in carrying on its business, by using any funds of the company available for distribution of dividends.

Article 158: Restriction to declaration of dividends

A company shall not declare or pay a dividend if there are reasonable grounds for believing that

(a) the company is, or after the payment would be, unable to pay its liabilities as they become due; or
(b) the realizable value of the company's assets would be less than the aggregate of its liabilities and stated capital of all classes.

Article 159: Form of dividend

A company may pay a dividend by issuing shares of the company. Subject to the restrictions in this Part, a company may pay a dividend in money or property.

Article 160: Adjustment of stated capital account

If shares of a company are issued in payment of a dividend, the declared amount of the dividend stated as an amount of money shall be added to the capital account or maintained or to be maintained for the shares of the class or series issued in payment of the dividend.

F. Security Certificates, Registers and Transfers

Article 161: Definitions

In this Part, the technical words shall have the meanings as follows:

(1). "bearer" means the person in possession of a security payable to bearer or endorsed in blank;

(2). "bona fide purchaser" means a purchaser for value in good faith and without notice of adverse claim who takes delivery of a security in bearer form or order form or of a security in registered form issued to him or endorsed to him or endorsed in blank;

(3). **"broker"** means a person who is engaged for all or part of his time in the business of buying and selling securities and who, in the transaction concerned, acts for, or buys a security from, or sells a security to a customer;

(4). **"delivery"** means voluntary transfer of possession;

(5). **"genuine"** means free of forgery or counterfeiting;

(6). **"holder"** means a person in possession of a security issued or endorsed to him or to bearer or in blank;

(7). **"over-issue"** means the issue of securities in excess of any maximum number of securities that the issuer is authorized to issue by its articles or by a specific contract;

(8). **"purchaser"** means a person who takes an interest in a security by sale, mortgage, hypothec, pledge, issue, reissue, gift or any other voluntary transaction;

(9). **"security" or "security certificate"** means an instrument issued by a company that is

- (a) in bearer form, registered form or order form;
- (b) of a type commonly dealt in on securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment;
- (c) one of a class or series or by its terms divisible into a class or series of instruments, and
- (d) evidence of a share, participation or other interest in or obligation of a company;

(10). **"transfer"** includes transmission by operation of law;

(11). **"unauthorized"** in relation to a signature or an endorsement, means one made without actual, implied or apparent authority and includes a forgery.

Article 162: Securities are negotiable instruments

Securities are negotiable instruments.

Article 163: Distribution document

A company that files or distributes in any business plan, statement of material facts,

registration statement, securities exchange take-over bid circular or similar document relating to the distribution to the public of the securities of the company shall immediately send to the Director of Companies a copy of any such document.

Article 164: Securities in registered form A security is in registered form if

(a) it specifies a person entitled to the security and specifies that the transfer is capable of being recorded in a securities register; or
(b) it bears a statement that it is in registered form.

Article 165: Debt obligation in order form

A debt obligation is in order form when it states that the debt obligation is payable to the order of, or that the debt obligation is assigned to a person who is reasonably identifiable.

Article 166: Securities in bearer form

A security is in bearer form if it is payable to any person who may present the security for payment. The securities in bearer form do not indicate the name of the holder.

Article 167: Rights of holder

Every security holder is entitled at his option to a security certificate that complies with this law or a non-transferable written acknowledgment of his right to obtain such a security certificate from a company.

A company is not required to issue more than one security certificate in respect of securities held jointly by several persons. Delivery of one security certificate to one person is sufficient.

Article 168: Signatures on the securities certificate

A security certificate shall be signed manually by at least one director and any additional signatures required on a security certificate may be printed.

Article 169: Contents of share certificate

There shall be stated on the face of each share certificate issued by a company

(1). the name of the company;
(2). the words "Incorporated under the Law of Commercial Enterprises of the Kingdom of Cambodia";
(3). the name of the person to whom it was issued;
(4). the number and class of shares and series of that share certificate;
(5). any restriction on the transfer of the security.

On a share certificate issued by a company that is authorized to issue more than one class or series of shares, there shall be stated legibly

(a) the rights, privileges, restrictions and conditions attached to the shares of each

class and series that exists when the share certificate is issued;

(b) that the class or series of shares that it represents has rights, privileges, restrictions or conditions attached thereto. The company will provide a shareholder, on demand and without charge, with a full copy of the text of the rights, privileges, restrictions and conditions attached to each class and series.

Article 170: Securities Register

A company shall maintain a securities register in which it records the securities it issues stating with respect to each class or series of securities, namely:

(a) the names, alphabetically arranged, and the latest known address of each person who is or has been a security holder;
(b) the number of securities held by each security holder; and
(c) the date and particulars of the issue and transfer of each security.

Article 171: Dealings with registered holder

A company may treat the registered owner of a security as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the security, and to exercise all the rights of an owner of the security.

In the case where there are restrictions on the transfer of a security, and the security is transferred or transmitted to a person who is not the registered owner, the person shall provide proof of his authority to exercise rights or privileges in respect of the security. The company shall treat the person as entitled to exercise those rights or privileges.

Article 172: Minors

If an unemancipated minor exercises any rights of ownership in the securities of a company, neither the minor nor his representative may subsequently repudiate the actions.

Article 173: Transmission of securities

When a security is transferred or transmitted to a person who is not the registered holder, the person is entitled to become or to designate the registered holder if he files with the company the security certificate that was owned by the security holder.

The filing documents shall contain:

(a) the authentical notary document, or the original or certified copy of the court order or letters of administration; or

(b) an affidavit evidencing the transfer of the security on behalf of the registered holder:

- by a legal representative of a minor, incompetent person, or missing person;
- a liquidator; or
- trustee in bankruptcy.

Article 174: Burden of proof

In an action on a security, unless specifically denied in the pleadings, each signature on the security or in a necessary endorsement is admitted;

a signature on the security is presumed to be genuine and authorized, but if the effectiveness of the signature is put in issue, the burden of establishing that it is genuine and authorized is on the party claiming that the signature is not genuine;

if a signature is admitted or established, production of the instrument entitles a holder to recover on it unless the defendant establishes a defense or a defect going to the validity of the security; and

if the defendant establishes that a defense or defect exists, the plaintiff has the burden of establishing that the defense or defect is ineffective against him or some person under whom he claims.

Article 175: Securities fungible

Unless otherwise agreed, and subject to any applicable law or related regulation a person required to deliver securities may deliver any security of the specified issue in bearer form or registered in the name of the transferee or endorsed to him or in blank.

Article 176: Notice of defect

The terms of a security stated on the security and terms incorporated by reference to another instrument to the extent that the incorporated terms do not conflict with the stated terms. If there is any inconsistency between such two terms then the first shall prevail.

A company shall, whether the fact that a security is not genuine, admit the ownership of the security in the hands of a bona fide purchaser.

A security is valid in the hands of a bona fide purchaser who does not have notice of any defect going to the validity of the security.

Article 177: Unauthorized signature

An unauthorized signature on a security before or in the course of its issue is ineffective. Except that the signature is effective in favor of a purchaser and without notice of the lack of authority, if the signing has been done by any person entrusted by the issuer to sign the security, or similar securities.

Article 178: Completion or alteration

Where a security contains the signatures necessary for its issue or transfer but is incomplete in any other respect,

(a) any person may complete it by filling in the blanks in accordance with his authority;
(b) notwithstanding that the blanks are incorrectly filled in, the security as completed is enforceable by a purchaser who took it for value and without notice of the incorrectness;

(c) a completed security that has been improperly altered, even if fraudulently altered, remains enforceable but only according to its original terms.

Article 179: Warranties of agents

A registrar, or transfer agent shall not liable for the forgery of security if:

(a) his acts in connection with the issue of the security are within his authority;
(b) he has reasonable grounds for believing that the security is in the form and within the amount the issuer is authorized to issue.

Article 180: Title of purchaser

On delivery of a security the purchaser acquires the rights in the security that his transferor had or had authority to convey, except that a purchaser who has been a party to any fraud or illegality affecting the security does not improve his position by taking title to the security from a later bona fide purchaser.

Article 181: Warranties to purchaser

A person by transferring a security to a bona fide purchaser warrants only that

(1). the transfer is effective and rightful;
(2). the security is genuine and has not been materially altered; and
(3). he knows of nothing that might impair the validity of the security.

A broker gives to his customer, to the issuer and to a purchaser, as the case may be, the warranties provided in this article and has the rights and privileges of a purchaser under this article. Those warranties of and in favor of the broker acting as an agent are in addition to warranties given by his customer and warranties given in favor of his customer.

Article 182: Right to compel endorsement

When a security in registered form is delivered to a purchaser without an endorsement, the purchaser may become a bona fide purchaser only at the time the endorsement is supplied.

However, the transfer is complete on delivery the purchaser has an enforceable right against the transferor to have any necessary endorsement supplied.

Article183: Endorsement

An endorsement of a security in registered form is made when an appropriate person signs, either on the security or on a separate document, an assignment or transfer of the security or signs a power to assign or transfer the security. The endorsements of security shall have the following characteristics:

– An endorsement may be special or in blank.

– An endorsement in blank includes an endorsement to bearer.

– A special endorsement specifies the person to whom the security is to be transferred, or who has power to transfer it.

A holder may convert an endorsement in blank into a special endorsement.

In this Part, appropriate person to endorse is:

(1). the person specified by the security or by special endorsement to be entitled to the security;
(2). the legal representative, if the person described in paragraph (1) is an individual and is without capacity to act by any reason;
(3). a person having power to sign under an applicable law or a power of attorney; or

(4.) an authorized agent, to the extent that a person described in paragraphs (1) to (3) may act through an agent.

Article 184: Immunity of endorser

Unless otherwise agreed, the endorser by his endorsement assumes no obligation that the security will be honored by the issuer.

An endorsement purporting to be only of part of a security representing units intended by the issuer to be separately transferable is effective to the extent of the endorsement.

Article 185: Effect of endorsement without delivery

An endorsement of a security whether special or in blank does not constitute a transfer until delivery of the security on which the endorsement appears or, if the endorsement is on a separate document, until delivery of both the security and the separate document.

Article 186: Endorsement in bearer form

An endorsement of a security in bearer form does not otherwise affect any right to registration that the holder has.

Article 187: Effect of unauthorized endorsement

The owner of a security may assert the ineffectiveness of an endorsement against the issuer or any purchaser who has in good faith received a new, reissued or re-registered security on registration of transfer.

Article 188: Liability of issuer

An issuer who registers the transfer of a security on an unauthorized endorsement is liable for improper registration.

Article 189: Warranties of guarantor of signature

A person who guarantees a signature of an endorser of a security warrants that at the time of signing

(1). the signature was genuine;
(2). the signer was an appropriate person to endorse; and
(3). the signer had legal capacity to sign.

However, a person who guarantees a signature of an endorser does not otherwise warrant the rightfulness of the particular transfer.

An issuer may not require a guarantee of endorsement as a condition to registration of transfer.

Article 190: When delivery occurs

Delivery to a purchaser occurs when

(a) the purchaser or a person designated by him acquires possession of a security;
(b) the broker of the purchaser acquires possession of a security specially endorsed to or issued in the name of the purchaser;
(c) the broker of the purchaser sends him confirmation of the purchase and the broker in his records identifies a specific security as belonging to the purchaser; or
(d) with respect to an identified security to be delivered while still in the possession of a third person, that person acknowledges that he holds it for the purchaser.

Article 191: Delivery to broker

Unless otherwise agreed, if a sale of a security is made on an exchange or otherwise through brokers

(1). the selling customer fulfils his duty to deliver when he delivers the security to the selling broker or to a person designated by the selling broker, or causes an acknowledgment to be made to the selling broker that it is held for him; and
(2). the selling broker, including a correspondent broker, acting for a selling customer fulfils his duty to deliver by delivering the security or a like security to the buying broker or to a person designated by the buying broker or by effecting clearance of the sale in accordance with the rules of the exchange on which the transaction took place.

Unless otherwise agreed, a transferor's duty to deliver a security to a purchaser under a contract of purchase is not fulfilled until he delivers the security in negotiable form to the purchaser or to a person designated by the purchaser, or causes an acknowledgment to be made to the purchaser that the security is held for him.

Article 192: Right to reclaim possession

If a security is wrongfully transferred from a person for any reason, including the person’s incapacity, the person may take the following actions against anyone except a bona fide purchaser:

(1). reclaim possession of the security;
(2). obtain possession of any new security evidencing all or part of the same rights; or
(3). claim damages.

If the transfer of a security is wrongful by reason of an unauthorized endorsement, the owner may reclaim possession of the security or a new security even from a bona fide purchaser if

the ineffectiveness of the purported endorsement may be asserted against such purchaser.

The right to reclaim possession of a security may be specifically enforced, its transfer may be restrained, and the security may be impounded pending litigation.

Article 193: Right to require registration

Unless otherwise agreed, a transferor shall supply a purchaser with proof of his authority to transfer or with any other requirement that is necessary to obtain registration of the transfer of a security. However, if the transfer is not for value, a transferor need not take these actions unless the purchaser pays the reasonable and necessary costs of the proof and transfer.

If the transferor fails to comply with the purchaser's demand within a reasonable time, the purchaser may reject or rescind the transfer.

Article 194: Seizure of security

No seizure of a security or other interest evidenced thereby is effective until the person making the seizure obtains possession of the security.

Article 195: Registration of security in registered form

Where a security in registered form is presented for transfer, the issuer shall register the transfer if

(1). the security is endorsed by an appropriate person;
(2). reasonable assurance is given that that endorsement is genuine and effective;
(3). any applicable law relating to the collection of taxes has been complied with;
(4). the transfer is rightful or is to a bona fide purchaser.

Where an issuer has a duty to register a transfer of a security, the issuer is liable to the person presenting it for registration for loss resulting from any unreasonable delay in registration or from failure or refusal to register the transfer.

Article 196: Limitation of issuer's liability

The issuer is not liable to the owner or any other person who incurs a loss as a result of the registration of a transfer of a security if the necessary endorsements were on or with the security and the issuer used reasonable care to determine the adequacy of the endorsement.

Article 197: Notice of lost or stolen security

Where a security has been lost or apparently destroyed, and the owner fails to notify the issuer of that fact by giving the issuer written notice within a reasonable time after he knows of the loss, destruction and if the issuer has registered a transfer of the security before receiving such notice, the owner is precluded from asserting against the issuer any claim to a new security.

Article 198: Duty of issuer to issue a new security

Where the owner of a security claims that the security has been lost or destroyed the issuer shall issue a new security in place of the original security if the owner

(1). so requests before the issuer has notice that the security has been acquired by a bona fide purchaser;
(2). furnishes the issuer with a sufficient indemnity bond; and
(3). satisfies any other reasonable requirements imposed by the issuer.

If, after the issue of a new security under above paragraph, a bona fide purchaser presents the original security for registration of transfer, the issuer shall register the transfer.

In addition to any rights on an indemnity bond, the issuer may recover a new security issued from the person to whom it was issued.

G. Receivers and Receiver Managers

Article 199: Functions of receiver

Except to the extent permitted by a court, a receiver may not carry on the business of the company. A receiver of any property of a company may, subject to the rights of secured creditors, receive the income from the property and pay the liabilities connected with the property. A receiver may also realize the security interest of the person on behalf of whom he is appointed.

Article 200: Functions of receiver-manager

The court may permit the receiver to carry on the business of the company for the purpose of protecting the securities of the persons on behalf of whom he is appointed. He is then named a receiver-manager.

Article 201: Directors' powers cease

If a receiver-manager is appointed by a court or under an instrument, the powers of the directors of the company ceases until the receiver-manager is discharged.

Article 202: Powers of receiver

A receiver or receiver-manager appointed by a court shall act in accordance with the directions of the court.

A receiver or receiver-manager appointed under an instrument shall act in accordance with that instrument and any direction of a court.

Article 203: Duties of receiver and receiver-manager

A receiver or receiver-manager shall

(1). act honestly and in good faith, and deal with any property in his possession or control

in a commercially reasonable manner;
(2). immediately notify the Director of Companies of his appointment and discharge;
(3). take into his custody and control the property of the company in accordance with the court order or instrument under which he is appointed; open and maintain a bank account in his name as receiver or receiver-manager of the company for the moneys of the company coming under his control;
(4). keep detailed accounts of all transactions carried out by him as receiver or receiver-manager;
(5). keep accounts of his administration and make them available for inspection by the Directors of Companies during usual business hours;
(6). prepare at least once in every six (6) month period after the date of his appointment, the financial statements of his administration;
(7). on completion of his duties, render a final account of his administration.

Article 204: Directions given by court

On an application by a receiver or receiver-manager, or on an application by any interested person, a court may make any order it thinks fit including, without limiting the generality of the foregoing,

(a) an order appointing, replacing or discharging a receiver or receiver-manager and approving his accounts;
(b) an order determining the notice to be given to any person or dispensing with notice to any person;
(c) an order fixing the remuneration of the receiver or receiver-manager;
(d) an order giving directions on any matter relating to the duties of the receiver or receiver-manager.

H. Shareholders

Article 205: Place of meetings

Shareholder general meetings shall be held at the place within the Kingdom of Cambodia provided in the articles or by-laws or that the directors determine.

A general meeting of shareholders may be held outside the Kingdom of Cambodia if all the shareholders entitled to vote at that meeting agree.

Article 206: Directors calling meetings

The directors of a company shall call an annual general meeting of shareholders not later than twelve (12) months after the company comes into existence.

The directors of a company may call a extraordinary meeting of shareholders at any time.

Article 207: Shareholders calling meetings

The shareholders may request the directors to call a general meeting of shareholders for the purposes stated in the request.

The request shall be made by the holders of not less than fifty-one (51) per cent of the issued

shares of a company that carry the right to vote at the meeting.

The request may consist of several form requests signed by one or more shareholders.

The request shall state the business to be transacted at the meeting and shall be sent to each director and to the registered office of the company.

On receiving the request, the directors shall call a general meeting of shareholders to transact the business stated in the request.

If the directors do not call a meeting, within twenty-one (21) days after receiving the request, any shareholder who signed the request may call the meeting.

Unless the shareholders otherwise make a resolution at the meeting they called, the company shall reimburse the shareholders the expenses reasonably incurred by them in requesting, calling and holding the meeting.

Article 208: Meeting called by court

If it is not practical to call or conduct a shareholders general meeting in the manner prescribed by the articles, or this law, or for any other reason, a director, shareholder entitled to vote at the meeting, or the Director of Companies may apply to the court for an order directing that a meeting be held and conducted in any manner the court deems appropriate.

The court may order that the quorum required by the articles or this law be varied or dispensed with at a meeting called, held and conducted pursuant to this article.

Article 209: Establishing the record date

The shareholders entitled to receive notice of a general meeting of shareholders shall be every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the record date established.

The directors may establish a record date, which shall not be more than fifty (50) days, or less than twenty (20) days before the date of the meeting.

If the directors do not establish a record date, the record date shall be

(1). at the close of business on the day before notice of the meeting is given, or
(2). if no notice is given, the day on which the meeting is held.

The record date to determine shareholders for any matter, other than the right to receive notice of a meeting and the right to vote, shall be at the close of business on the day that the directors pass the resolution relating to that matter.

Article 210: Notice of record date

If the directors establish a record date, the directors shall publish notice of the record date in a general circulation newspaper in the place where the company has its registered office.

The directors also shall provide written notice to every stock exchange in the Kingdom of Cambodia where the company's shares are listed for trading.

These notices shall be provided within seven (7) days after the directors establish the record date.

Notice of the record date is not required if the notice is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register at the close of business on the day the directors fix the record date.

Article 211: Shareholder list

A company shall prepare a list of shareholders entitled to receive notice of a meeting, arranged in alphabetical order and showing the number of shares held by each shareholder.

If the directors establish a record date, the directors shall prepare the list not later than ten (10) days after that date.

If the directors do not establish a record date, the list shall be prepared

(1). at the close of business on the day immediately preceding the day on which the notice is given, or
(2). where no notice is given, on the day on which the meeting is held.

Article 212: Effect of list

A person named in the list of shareholders is entitled to vote the shares shown opposite his name at the meeting to which the list relates.

If a person named on the list of shareholders transferred the ownership of any of his shares after record date, the transferee is entitled to vote his shares at the meeting after the two requirements had fulfilled:

(1). produces properly endorsed share certificates, or otherwise establishes that he owns the shares, and
(2). demands, not later than ten (10) days before the meeting as the articles or bylaws of the company provide, that his name be included in the list before the meeting.

Article 213: Examination of list

A shareholder may examine the list of shareholders

(a) during usual business hours at the registered office of the company or at the place where its central securities register is maintained; and

(b) at the general meeting of shareholders for which the list was prepared.

Article 214: Notice of meeting

A written notice of every general meeting of shareholders shall be given to all shareholders, directors, and the auditor at least twenty (20) days to fifty (50) days before the date of the

meeting.

The notice of shareholders general meetings shall state the date, agenda, and location of the meeting. When special business is to be discussed at the meeting:

- documents stating the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment; and

- the text of any special resolution to be submitted at the meeting. Failure to receive a notice does not deprive a shareholder of the right to vote at the meeting.

If a general meeting of shareholders is adjourned for less than thirty (30) days it is not necessary, unless the articles or bylaws otherwise provide, to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned.

Article 215: Waiver of notice

A shareholder and any other person entitled to attend a general meeting of shareholders may waive notice of a meeting of shareholders.

However, a shareholder or person attendance at a general meeting of shareholders, may express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

Article 216: Shareholder proposal

A shareholder entitled to vote at an annual general meeting of shareholders may

(a) submit to the company notice of any matter that he proposes to raise at the meeting, and
(b) discuss at the meeting any other matter appropriate for a shareholder proposal.

Article 217: Quorum

Unless the articles provide otherwise, a quorum of shareholders general meeting are the holders of a majority of the shares entitled to vote at the meeting are present in person or represented by proxy.

If a quorum is present at the opening of a meeting of shareholders, the shareholders present may proceed with the business of the meeting.

If a quorum is not present at the opening of a meeting of shareholders, the shareholders present may adjourn the meeting to a fixed time and place but may not transact any other business.

Article 218: Right to vote

Every shareholder who owns voting shares or his proxy is entitled to attend and vote at the meeting in accordance with his share’s voting rights.

If two or more persons hold shares jointly, one of those holders present at a meeting of shareholders may in the absence of the others vote the shares.

If two or more joint owners are present, in person or by proxy, they shall vote as one on the shares jointly held by them.

Article 219: Proxy and pooling agreements

Any shareholder may authorize any other natural person to represent and vote for him as a proxy at any meeting. All proxies shall be in writing and shall be signed by the shareholder and shall be dated.

A proxy shall not be valid for more than one (1) year after the date of its signature or for such shorter time as the proxy itself may provide.

Any number of shareholders may agree among themselves in writing to vote their shares in a certain manner.

Article 220: Voting

Unless the articles provide otherwise, election of the directors and decisions on other matters voted on by the shareholders shall be by secret ballot.

Article 221: Written resolution in lieu of meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders.

A resolution in writing dealing with all matters to be dealt with at a meeting of shareholders, and signed by all the shareholders entitled to vote at that meeting, satisfies all the requirements of this law relating to meetings of shareholders.

A copy of every resolution in lieu of a meeting shall be kept with the minutes of the meetings of shareholders.

Article 222: Court review

Any shareholder who does not receive written notice of a meeting and has reasonable proof thereof, has the right to petition to the court to reject any decision taken at such meeting.

A company, shareholder or director may apply to a court to determine any controversy with respect to an election or appointment of a director or auditor of the company.

Article 223: Unanimous shareholder agreement

An otherwise lawful written agreement among all the shareholders of a company that restricts in whole or in part the powers of the directors to manage the business and affairs of the company is valid.

A transferee of shares subject to a unanimous shareholder agreement is deemed to be a party

to the agreement.

A shareholder who is a party to a unanimous shareholder agreement has all the rights, and duties of a director to manage the business and affairs of the company to which the agreement relates. The directors are relieved of their duties and liabilities by a unanimous shareholder agreement.

A unanimous shareholder agreement shall be made between shareholders.

The unanimous shareholder agreement shall be kept in the company's record as described in Article109. A unanimous shareholder agreement has to be written on the share certificate.

I. Financial Disclosure

Article 224: Annual financial statements

At every annual general meeting of shareholders, the directors shall present an annual financial statement to the shareholders. The statement shall include the following:

(a) comparative financial statements for the current financial year and the prior financial year. In the first year of the company's existence, the financial statement shall cover the period beginning on the date the company came into existence and ending on a date not more than 6 months before the annual meeting;
(b) the report of the auditor; and
(c) any further information respecting the financial position of the company and the results of its operations required by the articles, the by-laws or any unanimous shareholder agreement.

Article 225: Examination by shareholders

Shareholders of a company and their agents and legal representatives, upon request, may examine the annual financial statements during the normal business hours of the company and may make extracts free of charge.

Article 226: Approval and issuance of financial statements

The directors of a company shall approve the annual financial statements and the approval shall be shown by the signature of one or more directors.

A company shall not issue, publish or circulate copies of the annual financial statements unless the financial statements are approved by the directors and accompanied by the auditor's report.

Article 227: Copies to shareholders

Not less than twenty-one (21) days before each annual general meeting of shareholders or before the signing of a resolution in lieu of the annual general meeting, a company shall send a copy of the financial statements and supporting documents to each shareholder, except to a shareholder who has informed the company in writing that he does not want a copy of those documents.

Article 228: Copies to Director

A public limited company that has issued any securities to the public that remain outstanding and are held by more than one person shall send a copy of the financial statement and accompanying documents to the Director of Companies.

The statement and documents shall be sent not less than twenty-one (21) days before each annual general meeting of shareholders or immediately after the signing of a resolution in lieu of the annual general meeting.

Article 229: Appointment of auditor

The shareholders of a company shall appoint an auditor by ordinary resolution at the first annual general meeting of shareholders and at each succeeding annual general meeting.

The auditor shall hold office until the close of the next annual general meeting.

If an auditor is not appointed at a general meeting of shareholders, the incumbent auditor continues in office until a successor is appointed.

Article 230: Exemption

The shareholders of a company that has not issued any securities to the public, or that does not have any outstanding securities held by more than one person, may adopt a resolution not to appoint an auditor.

Article 231: Remuneration

The remuneration of an auditor may be set by ordinary resolution of the shareholders or, if not, may be set by the board of directors.

Article 232: Removal, vacancies

The shareholders may remove the auditor from office, other than an auditor appointed by a court or by ordinary resolution at a special general meeting. At the same meeting, the shareholders may appoint a replacement auditor.

Whenever there is a vacancy in the office of auditor, the board of directors shall call a special general meeting of shareholders to fill the vacancy within twenty-one (21) days after the vacancy is created.

An auditor appointed to fill a vacancy holds office for the unexpired term of his predecessor.

Article 233: Court appointed auditor

If a company does not have an auditor, the court, on the application of a shareholder or the Director of Companies, may appoint and set the remuneration of an auditor who holds office until a new auditor is appointed by the shareholders.

Article 234: Powers and duties

An auditor of a company shall make the examination that is in his opinion necessary to enable him to report to the shareholders on the financial statements required by this law.

On the demand of an auditor of a company, the present or former directors, officers, employees or agents of the company shall furnish such information, explanations, and access to books and records as the auditor deems necessary to fulfill his functions.

The auditor of a company is entitled to receive notice of every meeting of shareholders and, at the expense of the company, to attend and be heard on matters relating to his duties as auditor.

If a director or shareholder of a company, whether or not the shareholder is entitled to vote at the meeting, gives written notice not less than ten (10) days before a general meeting of shareholders to the auditor or a former auditor of the company, the auditor or former auditor shall attend the meeting at the expense of the company and answer questions relating to his duties as auditor.

J. Amendment of Articles of Incorporation

Article 235: Right to amend

A limited company may amend its articles of incorporation several times and at any time.

Article 236: Vote

The articles of a company shall be amended by special resolution. The holders of each class of shares, or series of shares, are entitled to vote separately as a class or series, when the proposal to amend the articles is for the purpose of

(1). adding, changing or removing rights, privileges, restrictions attaching to their class or series of shares;
(2). increasing or decreasing the maximum number of shares of their class or series of shares;
(3). increasing the maximum number of authorized shares of a class or series that have rights or privileges equal or superior to their shares;
(4). creating a new class of shares equal or superior to the shares of their class or series;
(5). making any class of shares having rights or privileges less than or equal or superior to their shares;
(6). reduce the stated capital account of their class or series of shares.

Even if the articles state that a certain class or series of shares are not entitled to vote, the class or series of shares is always entitled to vote separately as a class or series, on any amendment to the articles that would change directly or indirectly, or adversely affect any rights, privileges, restrictions and conditions attaching to their class or series of shares.

The voting power authorized under this Article may not be abolished, decreased or limited by the articles of incorporation or in any other fashion.

Article 237: Notice of meeting

The company shall give written notice of any general meeting to amend the articles at least twenty days before the meeting to the shareholders entitled to vote on the amendment. A copy of the text of the proposed amendment shall be enclosed with the notice of the meeting.

Article 238: Nature of amendments

Amendments to the articles may:

(a) Change the company's name;
(b) Increase, decrease or change the purposes, objectives, or undertakings of the company;
(c) Redistribute the number of shares in class with the changing of absolute and relative characteristics of any class of shares;
(d) Change the dividend payable on any class of shares;
(e) Increase its capital by creation new class of shares with its absolute and relative characteristics is superior or inferior the existing class of shares;
(f) Decrease its stated capital by reduce the par value of any class or series of shares or the authorized shares. The stated capital may not be reduced to less than one half (1/2) of its capital provided for in the articles. No reduction of capital shall occur until ninety days after the amendment has been filed with the Ministry of Commerce. If during that time there has been any objection by any creditor, whose debt is not disputed by the company, the creditor shall be paid in full before the reduction can take effect;
(g) Change the duration of the existence of the company;
(h) Change the Registered Office;
(i) Change the quorum;
(j) Add any provision, which is authorized by this law to be included in the articles.

Article 239: Filing amendments

Every document concerning any amendment of the articles shall clearly state the date on which the amendments were approved by the shareholders and shall be at least signed by the chairman of the board of directors or any director authorized by the chairman.

All amendments approving the amendments shall be filed with the Ministry of Commerce no later than fifteen (15) days after the meeting at which they were approved.

Article 240: Certificate of amendment

On receipt of amendments to the articles the Director of Companies shall issue a certificate of amendment.

An amendment becomes effective on the date shown in the certificate of amendment of the Ministry of Commerce, unless the amendment itself specifies a later date, which may be no later than ninety (90) days after the date of the certificate.

K. Merger

Article 241: Authority to merge

Two or more companies may merge into one company or may consolidate to form a new company.

The dissolving company is called **"constituent company".** The company that continues the business is called the **"surviving company".** The legal personality of the constituent company ceases from the date the Ministry of Commerce issues a certificate of merger to the surviving company.

Article 242: Approval by Directors

The board of director of each company that proposes to merge shall adopt a resolution approving an agreement for merger. Unless otherwise provided in the articles, the resolution shall be approved by a majority of a quorum of the directors.

Article 243: Merger Agreement

The merger agreement shall state:

(a) The terms and conditions of the merger;
(b) The articles of incorporation of the surviving company;
(c) The method of converting each class or series of shares of each constituent company into shares or other securities of the surviving company;
(d) If any share of a constituent company is not to be converted into shares, the amount of money, rights, securities or other possessions that the holders of such shares shall receive in the merger;
(e) Other information that the holders of each class of shares shall access before making decision to vote for merger; and
(f) Details of any arrangements necessary to perfect the merger and to provide for the subsequent management and operation of the surviving company.

Article 244: Notice to shareholders

After its board of directors approves a resolution of merger, each constituent companies, shareholders of surviving company shall send notice of shareholders meeting to each shareholder entitled to vote on the merger the following information:

(a) Within thirty (30) days after the merger agreement, the board of directors of the constituent company shall convene a shareholders general meeting to approve on the merger;
(b) The notice shall include a copy of the merger agreement;

(c) Each constituent company shall give at least twenty days notice of the meeting of shareholders.

Article 245: Vote by shareholders

Merger shall be approved by a special resolution of the shareholders at least two third (2/3) of each constituent company.

Article 246: Votes by Class

Even if the articles of incorporation state that a certain class of shares shall not be entitled to vote, such class of shares is always entitled to vote separately as a class on any proposed merger which would change, either directly or indirectly, any rights, privileges, restrictions and conditions of that class or series of shares.

The voting power authorized under this article may not be rejected or amended by the articles of incorporation or in any other fashion.

Article 247: Filing Articles of Merger

The directors of the surviving company shall file the following documents with the Ministry of Commerce:

(a) The agreement of merger;
(b) Resolutions of the board of directors and shareholders of each constituent company on the agreement of merger;
(c) Articles of incorporation of the surviving company;
(d) Statements by a director or officer of each constituent company that establishes, to the satisfaction of the Director of Companies, that there are reasonable grounds for believing that

(i) each constituent company and the surviving company is able to pay its liabilities as they become due;

the realizable value of the surviving company's assets will not be less than the aggregate of its liabilities and stated capital of all classes;

(iii) no creditor will be prejudiced by the merger;
(iv) adequate written notice has been given to all known creditors of the constituent companies and no creditor has made valid and credible objections to the merger.

Article 248: Effect of merger

On receipt of articles of merger, the Ministry of Commerce shall issue a certificate of merger. On the date shown in a certificate of merger

(a) the merger of the constituent companies and their continuance as one company become effective;
(b) the property of each constituent company continues to be the property of the surviving company;
(c) the surviving company continues to be liable for the obligations of each constituent company;
(d) any civil, criminal or administrative matters involving any constituent company remain effective in relation to the surviving company; and
(e) the articles of merger are deemed to be the articles of incorporation of the surviving company and the certificate of merger is deemed to be the certificate of incorporation of the surviving company.

Article 249: Right to demand appraisal

Any shareholder of any constituent company in a merger may request an appraisal of the value of his shares in the constituent company. However, in order to be entitled to have an appraisal, the shareholder shall meet all of the following conditions:

(a) The shareholder owned shares in one of the constituent companies before the shareholders voted to approve the merger;
(b) The shareholder did not vote in favor of the merger;
(c) The shareholder makes a written demand to the surviving company after the articles of merger are filed with the Ministry of Commerce; and
(d) The shareholder surrenders his shares certificate to the surviving company at the same time he makes his demand for appraisal.

Article 250: Appraisal Procedure

When an appraisal is demanded, the surviving company and each complaining shareholder shall, for up to ninety (90) days, negotiate in order to attempt to agree on a fair price for the shares.

The fair price shall be determined by examining all relevant factors, but excluding any value created by the merger itself.

The articles of incorporation of any constituent company or the agreement of merger may provide that all appraisal disputes be decided by arbitration. Any shareholder may, at any time before the last arbitration's decision, abandon his claim for appraisal. In this case, he shall be entitled to receive from the surviving company the same payment as he would otherwise have received in the merger.

If they are unable to agree on a fair price, the competent court shall decide such price and the complaining shareholder shall be entitled to receive that amount.

L. Dissolution and Liquidation

Article 251: Dissolution

A company that has not issued any shares may be dissolved at any time by resolution of all the directors.

A company that has no property and no liabilities may be dissolved by special resolution of the shareholders or, where it has issued more than one class of shares, by special resolutions of the holders of each class whether or not they are otherwise entitled to vote.

The company shall send articles of dissolution in the prescribed form to the Director of Companies.

On receipt of articles of dissolution, the Director of Companies shall issue a certificate of dissolution. The company ceases to exist on the date shown in the certificate of dissolution.

Article 252: Proposing liquidation and dissolution

The directors may propose, or a shareholder who is entitled to vote at a general meeting of shareholders may make a proposal for, the voluntary liquidation and dissolution of a company.

Notice of any meeting of shareholders at which voluntary liquidation and dissolution is to be proposed shall set out the terms for liquidation and dissolution.

A company that has property and/or liabilities may be dissolved by special resolution of the shareholders of ach class. In case the company has issued more than one class of shares, by special resolutions of the holders of each class whether or not they are otherwise entitled to vote, if

(1) by the special resolution or resolutions the shareholders authorize the directors to distribute any property and discharge any liabilities of the company.
(2) the company has distributed any property and discharged any liabilities before it sends articles of dissolution to the Director of Companies.

Article 253: Statement of intent to dissolve

After approval of a resolution to liquidate and dissolve, the company shall send a statement of intent to dissolve in prescribed form to the Director of Companies.

On receipt of a statement of intent to dissolve, the Director of Companies shall issue a certificate of intent to dissolve.

On issue of a certificate of intent to dissolve, the company shall cease to carry on business except to the extent necessary for the liquidation, but its legal personality continues until the Ministry of Commerce issues a certificate of dissolution.

Article 254: Notice of Intent to Dissolve

After issue of a certificate of intent to dissolve, the Director of Companies, the company shall

(a) immediately send notice of intent to resolve to each known creditor of the company;
(b) immediately publish notice of intent to dissolve for two (2) consecutive weeks in a newspaper published or distributed in the place where the company has its registered office, or in other publications as provided by regulations of the Ministry of Commerce.

Article 255: Liquidation

After issuance of a certificate of intent to dissolve, the company shall

- collect its property,

- dispose of properties that are not to be distributed in kind to its shareholders,

- discharge all its obligations, and

– do all other acts required to liquidate its business.

After giving the notice of intent to resolve, and adequately providing for the payment or discharge of all its obligations, the company shall distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights.

Article 256: Supervision by court

The Director of Companies or any interested person may, at any time during the liquidation of a company, apply to a court for an order that the liquidation be continued under the supervision of the court.

An applicant shall give the Ministry of Commerce notice of the application, and the Director of Companies is entitled to appear and be heard in person or by counsel.

Article 257: Dissolution

After the liquidation is terminated, the company shall prepare articles of dissolution. Articles of dissolution in prescribed form shall be sent to the Director of Companies.

On receipt of articles of dissolution, the Director of Companies shall issue a certificate of dissolution. The company ceases to exist on the date shown in the certificate of dissolution.

Article 258:

The dissolution and liquidation provisions shall not apply to any company that has applied for bankruptcy to the court.

M. Director of Companies

Article 259: Appointment of Director of Companies

The Ministry of Commerce shall appoint one or more Director of Companies to carry out the duties and exercise the powers of the Director of Companies under this law.

Article 260: Certificate of Director of Companies

Where this law requires or authorizes the Ministry of Commerce to issue a certificate or to certify any fact, the certificate shall be signed by the Director of Companies.

Article 261: Copies

Where a notice or document is required to be sent to the Director of Companies , the Director of Companies may accept a photocopy.

Article 262: Proof required by Director of Companies

The Director of Companies may require that a document or a fact stated in a document to be

sent to him shall be verified by affidavit.

Article 263: Regulations

The Ministry of Commerce may make regulations

(a) prescribing any matter required or authorized by this law to be prescribed;
(b) requiring the payment of a fee in respect of the filing, examination or copying of any document, or in respect of any action;
(c) prescribing the contents and electronic or other forms of notices and documents required to be sent to or issued by the Ministry of Commerce;
(d) respecting the sending or issuance of notices and documents; and prescribing rules with respect to exemptions permitted by this law.

Article 264: Filing of articles and dissolution plans

Articles or a dissolution plan to be sent to the Ministry of Commerce shall be signed by a director or an officer of the company or, in the case of articles of incorporation, by an incorporator.

After receiving the articles or plan in the prescribed form the Director of Companies shall

(1) record the date of the filing,
(2) issue the appropriate certificate,
(3) file the certificate and the articles or statement, photographic, electronic or other reproduction of the certificate and of the articles or statement,
(4) send the certificate and the articles or statement, photographic, electronic or other reproduction of the certificate and of the articles or statement, to the company or its representative, and
(5) publish a notice of the issuance of the certificate in the Gazette of the Ministry of Commerce.

Article 265: Date of certificate

A certificate issued by the Ministry of Commerce may be dated as of the day he receives the articles, plan or court order pursuant to which the certificate is issued or as of any later day specified by the court or person who signed the articles or plan.

Article 266: Certificate of compliance

The Director of Companies may furnish any person with a certificate and necessary documents that a company has sent to the Ministry of Commerce required under this law.

Article 267: Corrections

If a certificate containing an error is issued to a company by the Director of Companies, the directors or shareholders of the company shall, on the request of the Director of Companies, pass the resolutions and send to him the documents required to comply with this law. The Ministry of Commerce may, if there is a reasonable reason, demand the surrender of the certificate and issue a corrected certificate.

A corrected certificate shall have the same date as the certificate it replaces.

If a corrected certificate materially amends the terms of the original certificate, the Director of Companies shall immediately give notice of the correction in the Gazette of the Ministry of Commerce.

Article 268: Inspection and copies of records

A person who has paid the prescribed fee is entitled to examine, during usual business hours, a document sent to the Ministry of Commerce, and to make copies or extracts of reports. This article does not apply to reports of court-ordered investigations.

The Director of Companies shall furnish any person with a copy or a certified copy of documents covered by this article.

Where records are maintained by the Ministry of Commerce otherwise than in written form,

(a) the Ministry of Commerce shall furnish any copy required to be furnished under this article in readable form; and
(b) a report reproduced from those records, if it is certified by the Director of Companies, is admissible in evidence to the same extent as the original records.

Article 269: Retention of records

The Ministry of Commerce is not required to produce any document, other than a certificate and attached articles or dissolution plan, after ten years from the date he receives it.

Chapter 4 – Foreign Business
General Provisions

Article 270: Foreign business defined

A foreign business is a legal person formed under the laws of a foreign country having a place of business in, and doing business in the Kingdom of Cambodia.

Article 271: Forms

A foreign business may conduct business in the Kingdom of Cambodia in the following forms:

(a) commercial representative office or commercial relations office, or
(b) branch,
(c) subsidiary.

The commercial representative office and branch are agents of their principals and do not have legal personality separate from their principals.

Article 272: Doing business

A foreign business shall be considered to be **"doing business"** if the foreign business performs any of the following acts in the Kingdom of Cambodia:

(a) Rents office or any other space for manufacturing, or processing, or performing services for more than one month;
(b) Employs any person to work for it for more than one month;
(c) Performs any other act that laws of the Kingdom of Cambodia authorized for foreign natural and legal persons.

Article 273: Subject to local law

A foreign business doing business in any forms within the Kingdom of Cambodia shall be subject to the laws and the jurisdiction of courts of the Kingdom of Cambodia.

A foreign business shall comply with the registration requirements of the Law on Commercial Rules and Register.

A. Representative Office

Article 274: Authorized activities

A commercial representative office or commercial relations office may perform the following acts in the Kingdom of Cambodia:

(a) Contact customers for the purpose of introducing customers to its principal.
(b) Research commercial information and provide the information to its principal.
(c) Conduct market research.
(d) Market goods at trade fairs, and exhibit samples and goods in its office or at trade fairs.
(e) Purchase and keep a quantity of goods for the purpose of trade fairs.
(f) Rent an office and employ local staff.
(g) Enter into contracts with local customers on behalf of its principal.

However, a commercial representative office or commercial relations office may not regularly buy or sell goods, perform services, or engage in manufacturing, processing or construction.

Article 275: Management

A commercial representative office or commercial relations office shall be managed by one or more managers appointed and removed by its principal.

Article 276: Name

The name of the commercial representative office or commercial relations office shall be the name of its principal. The words "Commercial Representative Office" or "Commercial Relations Office" shall be placed above or in front of the name.

Article 277: Closing representative office

A commercial representative office or commercial relations office may be closed by a decision of its principal.

B. Branch

Article 278: Authorized activities

A branch may perform the same acts as a commercial representative office.

In addition, a branch may regularly buy and sell goods and services and engage in manufacturing, processing and construction same as the local company except any acts that prohibited for natural or legal person who is foreigner.

Article 279: Liability

The assets of the branch shall be the assets of the principal. The principal shall be liable for any obligations of the branch.

Article 280: Management

A branch shall be managed by one or more managers appointed and removed by the decision of the principal.

Article 281: Name

The name of a branch shall be the name of its principal. The words "Branch " shall be placed above or in front of the name.

Article 282: Closing branch

A branch may be closed by the decision of its principal.

C. Subsidiary

Article 283:

A subsidiary is a company that incorporated by the foreign company in the Kingdom of Cambodia with at least fifty-one (51) percent of its capital that held by the foreign company.

Article 284:

A subsidiary has legal personality separate from their principals from the date of its registration pursuant to the Law on Commercial Rules and Register.

Article 285:

A subsidiary may be incorporated in the form of partnership or limited company.

Article 286:

A subsidiary may regularly carry on business same as the local company except for any acts that prohibited for natural or legal person who is foreigner.

Chapter 5 – Derivative Action

Article 287:

A shareholder may bring an action or intervene in the name and right of a company. The shareholder shall meet all of the following conditions:

(a) be a shareholder or the heir of a shareholder during the period within which occurred the transaction of the company giving rise to the complaint;
(b) did not vote in favor of the transaction or ratify it in any other fashion;
(c) made a written demand to the board of directors for resolution of the dispute which was not resolved by the directors;
(d) gave reasonable notice to the board of directors before submitting the matter to the court. After they are filed, derivative actions may not be settled without the approval of the court.

Article 288: Recovery in derivative action

Any recovery in a derivative action shall be the property of the company. If a derivative action results in a benefit o the company, the shareholder who brought the derivative action may apply to the court for reasonable fee.

Article 289: Duty of care of directors and officers

Every director and officer in exercising his duties shall:

(a) act honestly and in good faith with a view to the best interests of the company;
(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstance.

The articles or bylaws may provide that any dispute between the directors and shareholders shall submit to arbitration.

Chapter 6 – Offences, Penalties and Remedies

Article 290: False and misleading reports

A person who makes or assists in making a false or misleading report, return, notice or other document to be sent to the Ministry of Commerce, or to any other person, is guilty of an offence and liable to a fine from one (1) million to 10 million riels, or to imprisonment for a term not exceeding six (6) months or to both excluding civil remedy or criminal action mentioned in relevant laws.

Article 291: Order to comply

Where a company commits an offence, any director or officer of the company who knowingly authorized, permitted or acquiesced in the commission of the offence is a party to and guilty of the offence and is liable to fine as provide for in Article 290.

Article 292: Limitation period

A prosecution for an offence under this law may be instituted at any time within but not later than three (3) years after the time when the subject matter of the complaint arose.

Article 293: Civil remedy not affected

No civil remedy for an act or omission is suspended or affected by reason that the act or omission is an offence under this law.

Article 294: Registration, filing and publication

A company and a natural person who, without reasonable cause, does not comply with the registration, filing and publication requirements of this law may be prosecuted pursuant to articles 43 and 44 of the Law on Commercial Rules and Register as amended.

Article 295: Company books and records

A company or a natural person who violates any provision of Part 2(C) of Chapter 3, relating to company books and records may be prosecuted pursuant to articles 43 and 44 of the Law on Commercial Rules and Register as amended.

Article 296: Financial statements to shareholders

A company that, without reasonable cause, fails to send copies of financial statements to shareholders as required by Article 227 guilty of an offence and upon conviction is liable to a fine from one million to 10 million riels.

Article 297: Financial statements to Director of Companies

A company that, without reasonable cause, fails to send copies of financial statements to the Director of Companies as required by Article 228 is guilty of an offence and liable on summary conviction to a fine from one million to 10 million riels.

Article 298: Auditor

An auditor or former auditor of a company who fails without reasonable cause to comply with the requirement to attend shareholder general meetings as required by Article 234 is guilty of an offence and liable on summary conviction to a fine from one million to 10 million riels or to imprisonment for a term not exceeding six (6) months or to both.

Article 299:

The Director of Companies who has committed gross negligence, careless, or failed to comply with the regulation of the Ministry of Commerce or conspire to commit such offense shall be liable for an administrative penalty and/or prosecution before the court of law.

Chapter 7 – Transitional Provisions

Article 300:

This Law shall not affect the validity and operations of all companies that have properly registered in the Commercial Register of the Kingdom of Cambodia.

Article 301:

This Law shall apply to the operations of all companies in relation to the submission of document and information to the Ministry of Commerce.

Article 302:

The Ministry of Commerce shall according to this Law prepare a model of Memorandum and Articles of Association and guideline for the Amendment of Memorandum and Articles of Association in order to publicize to the registered companies that have intent to amend its Memorandum and Articles of Association.

Chapter 8 – Final Provisions

Article 303: Contradiction

Any provisions that contradict this Law shall consider null and void.

Article 304: Promulgation

This law shall be promulgated as urgent.

Signature: NORODOM SIHAMONI

LAW ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

(24 June 2007)

CHAPTER I: GENERAL PROVISIONS

Article 1. Purpose

The present Law has the purpose to set up measures against money laundering and financing of terrorism as well as the organization and the control of those measures enforcement.

Article 2. Scope of Application

The present Law and other regulations set forth for it implementation are to be used for the prevention and the control of money laundering and financing of terrorism.

Article 3. Definitions

For the purposes of the present law, the term:

(a) ***"Money laundering"*** shall mean:

(i) The conversion or transfer of property, knowing that such property is the proceeds of offence, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the offence to evade the legal consequences of his or her action;

(ii) The concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of offence;

(iii) The acquisition, possession or use of property, knowing that such property is the proceeds of offence;

(iv) Participation in, and attempts to commit, aiding and forcing somebody to commit any of the acts defined in accordance with Article 3 of the present Law.

(b) ***"Proceeds of offence"*** shall mean any property derived from or obtained, directly or indirectly, through the commission of any felony or misdemeanor.

(c) ***"Property"*** shall mean assets of every kind, whether movable or immovable, tangible or intangible, and legal documents or instruments evidencing title to, or interest in, such assets.

(d) ***"Supervisory authority"*** shall mean the National Bank of Cambodia, the Securities Commission and any other authority having oversight over a reporting entity.

(e) ***"Predicate offense"*** means any felony or misdemeanor, even if committed abroad, as a result of which proceeds have been generated that may become the subject of money laundering as defined above under Article 3 (a) of the present Law;

In order to be used as a basis for proceedings in respect of money laundering, a predicate offense committed abroad must have the nature of offense in the country where it was committed and under the laws of Cambodia, unless there is special agreement

stated otherwise.

(f) ***"Financing of terrorism"*** shall mean the willful provision of financial or other services with the intention that such services be used or in the knowledge that they are or may be used, in full or in part, for the purpose of supporting terrorism, terrorist acts or terrorist organizations.

(g) ***"Suspicious transaction"*** shall mean a transaction that involves funds suspected to be the proceeds of offense, or funds related to the financing of terrorism.

(h) ***"Financial Intelligence Unit"*** shall mean a central body responsible for receiving, analyzing and disseminating reports on suspicious transactions, as defined in Article 3(g) of the present law, cash transactions as defined in Article 12(1) of the present Law and other information regarding money laundering or financing of terrorism.

(i) ***"Ultimate beneficial owner"*** shall mean a person who ultimately owns or controls a customer on whose behalf a transaction is being conducted, including those persons who exercise ultimate effective control over a legal person or arrangement.

(j) ***"Politically exposed persons"*** shall mean any individual who is or has been entrusted with prominent public functions in a foreign country, such as head of state or of government, senior politician, senior government official, judicial or military official, senior executive of state-owned corporation or important party official.

(k) ***"Trust"*** means a legal entity established by a person known as trustor. The trustor transfers legal title of property to the trustee, who manages it for the benefit of the named beneficiaries.

(l) *"Invalidate" shall mean to make null and void.*

CHAPTER II: REPORTING ENTITIES

Article 4. Institutions and Professions Subject to the Present Law

The present Law shall apply to the following institutions and professions, hereinafter referred to as "reporting entities":

(a) banks, including branches of foreign banks;

(b) non-bank financial institutions, including securities brokerage firms and insurance companies;

(c) micro finance institutions;

(d) credit cooperatives;

(e) leasing companies, investment and pension funds, investment companies and companies for managing investment funds;

(f) exchange offices;

(g) money remittance services;

(h) real estate agents, building and land;

(i) dealers in precious metals, stones and gems;

(j) post office operating payment transactions;

(k) lawyers, notaries, accountants, auditors, investment advisors and asset managers when they prepare for or carry out transactions for their clients concerning the activities listed in Article 5 of the present Law;

(l) casinos and other gambling institutions;

(m) Non-governmental organizations and foundations engaging in business activities and fund raising;

(n) Any other institutions or professions that is designated by the FIU to fall within the scope of the present Law.

Article 5. Business Activities of Reporting Entity

Business activities of the reporting entities mentioned in Article 4-k of the present Law are the following:

1. Buying and selling real estate, building and land;
2. Managing of client money, securities or other assets such as:

(a) management of banking or securities accounts;
(b) organization of contributions for the creation, operation or companies management.

3. Creation, operation or management of legal persons or arrangements, and buying and selling of business entities;
4. trust or company providing services when they prepare for or carry out transactions for a client concerning the following activities:

- acting as a formation agent of legal persons;

- acting as or arranging for another person to act as a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;

- providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
- acting as or arranging for another person to act as a trustee of an express trust
- acting as or arranging for another person to act as a nominee shareholder for another person.

CHAPTER III:

MEASURES TO BE TAKEN BY BANKING AND FINANCIAL INSTITUTIONS AND NON-BANK FINANCIAL BUSINESSES AND PROFESSIONS TO PREVENT MONEY LAUNDERING AND FINANCING OF TERRORISM

Article 6. Banking and Professional Secrecy

Banking or professional secrecy shall not inhibit the implementation of the present Law and may not be invoked as a ground for refusal to provide information to the FIU and supervisory authority, whether for domestic or for international cooperation purposes, or as required in connection with an investigation which relates to money laundering or financing of terrorism ordered by or carried out under the supervision of a judicial authority.

Article 7. Prohibition of Anonymous Accounts or Similar Products

Reporting entities shall not:

(a) open or keep anonymous or numbered accounts, or accounts in obviously

fictitious names;

(b) issue, keep or accept any other financial products unless the customer due diligence measures were taken in accordance with Article 8 of the present Law.

Article 8. Customer Due Diligence Measures

1. Reporting entities referred in Article 4 of the present Law shall take customer due diligence measures, including the identification of their customers and the verification of their customers' identity:

(a) prior to establishing business relations, such as opening accounts, taking stocks, bonds or other securities into safe custody, granting safe-deposit facilities or engaging in any other business dealings;

(b) prior to carrying out occasional or one-off transactions, including wire-transfers, that involve a sum in excess of amount as defined by the supervisory authority; identification information accompanying wire transfers shall contain the name and address of the originator, and where an account exists, the number of that account. In the absence of an account, a unique reference number shall be included;

(c) if the reporting entity has a suspicion of money laundering or financing of terrorism irrespective of the sum involved in the transaction;

(d) if the reporting entity has any doubts about the veracity or adequacy of previously obtained customer identification data.

1- The following customer due diligence measures shall be taken by reporting entities:

(a) identifying the customer by obtaining at the minimum name, birth date, and address, for natural persons and name, articles of incorporation or registration, tax identification number, address, telephone number, for legal persons as defined by the supervisory authority and verifying that customer’s identity using reliable, independent source documents, data or information by using a national ID card, a passport or any other official photo ID document.

(b) identifying the ultimate beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements, the reporting entities should take reasonable measures to understand the ownership and control structure of the customer.

(c) obtaining information on the purpose and intended nature of the business relationship.

(d) conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the reporting entities, knowledge of the customer, their business and risk profile including, where necessary, the source of funds.

3. Where the reporting entity is unable to comply with paragraphs 2 (a) to (c) above, it should not open the account, commence business relations or perform the transaction, or in case of existing business relations with the customer, it should terminate such business relations, unless instructed to the contrary by the FIU. In any such cases, the reporting entity should consider making a suspicious transaction report in relation to the customer.

4. The requirements set forth by this Article shall apply to all new customers as well as to existing customers on the basis of materiality and risk. Reporting entities shall conduct due diligence on such existing relationships retrospectively.

Article 9. Identification of Customers Carrying Out Transactions below the Threshold

Identification shall also be carried out in cases where separate operations repeated involve an individual amount, which is less than that the threshold specified by the supervisory authority but the reporting entity has reasons to believe that those transactions are aiming at avoiding identification.

Article 10. Special Monitoring of Certain Transactions

1. A reporting entity shall pay special attention to:

(a) any complex, unusual or large amount transactions;
(b) any unusual patterns of transactions; that have no apparent or visible economic or lawful purpose;

(c) business relations and transactions with institutions or persons in jurisdictions that do not have adequate systems in place to prevent or deter money laundering or financing of terrorism;
(d) wire transfers that do not contain complete originator information;
(e) business relations and transactions with persons with whom the reporting entity has had no face-to-face contact during the implementation of identification procedure;
(f) business relations and transactions with politically exposed persons;
(g) business relations and transactions conducted by means of cross-border correspondent banking or other similar relationships.

2. In cases referred to under paragraph 1 of this Article, the reporting entity shall seek additional information as to the origin and destination of the money, the purpose of the transaction and the identity of the transacting parties.

Article 11. Record-keeping by Reporting Entities

Reporting entities referred to at Article 4 of the present Law shall maintain, at least for 5 years after the account has been closed or the business relations with the customer have ended, and shall hold at the disposal of the competent authorities any records of customer identification and records of transactions conducted by customers in a manner that they are sufficient to permit the reconstruction of individual transactions, including the amounts and types of currency involved if any, so as to provide, if appropriate, evidence for the prosecution of offense.

Article 12. Reporting Cash or Suspicious Transactions to the FIU

1. Reporting entities referred to at Article 4 of the present Law shall report to the FIU any cash transaction exceeding the amount of the threshold as defined by the supervisory authority, as well as such transactions, which involve several connected cash transactions whose total value exceeds the same amount.
2. Irrespective of the reporting obligation set forth by paragraph 1 of this

Article, if a reporting entity suspects or has reasonable grounds to suspect that funds are the proceeds of offense, or are related to the financing of terrorism, it shall promptly, within 24 hours, report its suspicions to the FIU.

3. Reports of suspicions shall be transmitted to the FIU by any expeditious means of communication, such as facsimile or, failing which, by any other written means. Reports communicated by telephone shall be confirmed by facsimile or any other written means within the shortest possible time. The FIU shall acknowledge receipt of the report upon receipt thereof.

4. A reporting entity that has made a report to the FIU, as well as any other entity that holds information related to the transaction or customer involved in the report, shall give the FIU or a law enforcement agency that is carrying out an investigation arising from, or relating to the information contained in the report, any further information that it has about the transaction or attempted transaction or the parties to the transaction if requested to do so by the FIU or the law enforcement agency.

5. If the FIU has reasonable grounds to suspect that a transaction or a proposed transaction may involve a money laundering offense or an offense of financing of terrorism and for reasons of the seriousness or the urgency of the case it considers necessary, it may direct the reporting entity in writing or by telephone to be followed up in writing, not to proceed with the carrying out of that transaction or proposed transaction or any other transaction in respect of the funds affected by that transaction or proposed transaction for a period as may be determined by the FIU, which may not exceed 48 hours, in order to allow the FIU :

- to make necessary inquiries concerning the transaction; and

- if the FIU deems it appropriate, to inform and advise a law enforcement agency.

Article 13. Contents of Suspicious Transaction Reports

The suspicious transaction reports submitted to the FIU shall at a minimum contain:

(a) the identity and identifying particulars of the reporting entity, including the name and contact details of the reporting officer;

(b) the identity and identifying particulars of the customer and of the beneficiary involved in the transaction;

(c) the type and details such as amount, currency, date, parties involved of the transaction that is reported as suspicious, including the account number and particulars of the account holder;

(d) a short description of the circumstances and reasons that justify the suspicion.

Article 14.-Exemption from Liability for Reporting Cash or Suspicious Transactions in Good Faith

The persons, directors or employees of the reporting entities:

1. Who in good faith transmit information or submit reports to the FIU in

accordance with the provisions of the present Law shall not be subject to any proceedings instituted against them for breach of any restriction on disclosure of information or of banking or professional secrecy.

2. Who in good faith transmit information or submit reports in accordance with the provisions of the present Law, there is no civil or criminal liability action may be neither brought, nor any professional sanction taken against them, even if there are investigations, do they not give rise to a conviction.

3. Are not hold responsible for civil or criminal actions that may be brought against them by reason of any material and/or non-material loss, resulting from the suspension of a transaction as provided for in Article 12, paragraph 5 of the present Law.

Article 15. Prohibition of Tipping Off

In no circumstance shall persons required to disclose the information and submit reports referred to in Article 13, or any other individual having knowledge thereof, communicate such information or reports to any natural or legal persons other than the FIU, except where so authorized by the FIU.

Article 16. Internal Controls and Compliance at Reporting Entities

Reporting entities referred to at Article 4 of the present Law shall develop programs for the prevention of money laundering and the financing of terrorism in accordance with the guidelines of the supervisory authority as stipulated in article 31 of the present Law. Such programs shall include the following:

(a) Development of internal policy procedures and controls, including appropriate compliance arrangements and adequate screening procedures to ensure high standards when hiring employees;

(b) Designation of compliance officers at management level;

(c) Ongoing training for officials or employees;

(d) Internal audit function to check compliance with and effectiveness of the measures taken to apply the present law.

Article 17. Compliance Officers

The compliance officer to be appointed pursuant to Article 16, paragraph (b) of the present Law shall be a senior officer with relevant qualifications and experience to enable him/her to respond sufficiently well to enquiries relating to the reporting entity and the conduct of its business, and be responsible at minimum:

(a) for establishing and maintaining internal policy, procedures and manual of compliance;

(b) for ensuring compliance by staff of the reporting entity with the provisions of the present Law and any other law relating to money laundering or financing of terrorism and the provisions of policy, procedures and manual of compliance established pursuant to this Article;

(c) to act as the liaison between the reporting entity and the FIU in matters relating to compliance with the provisions of the present Law and any other legislations with respect to money laundering or financing of terrorism.

Article 18. Fit and Proper Requirements

The competent supervisory authorities shall ensure that the management and shareholders of reporting entities are fit and proper so as to prevent criminals or their associates from holding, or being the beneficial owners of, a significant or controlling interest or management function in such entities.

CHAPTER IV : FINANCIAL INTELLIGENCE UNIT

Article 19. Organization

1. A financial intelligence unit hereinafter referred to as the FIU shall be established as a unit under the control of the National Bank of Cambodia.
2. The FIU shall have adequate financial resources and independent decision-making authority on matters coming within its sphere of responsibility.

Article 20. FIU Board and Staff

1. The FIU shall have a permanent secretariat, which shall be headed by a senior official appointed by the Prime Minister proposed by the National Bank of Cambodia. The permanent secretariat shall work under the authority of a Board of Directors, composed of the senior representatives of the following agencies:

(a) Office of the Council of Minister;
(b) Ministry of Justice;
(c) Ministry of the Interior;
(d) Ministry of the Economy and Finance;
(e) National Bank of Cambodia

2. The head of the Board shall be appointed by the Prime Minister proposed by the National Bank of Cambodia selected from amongst the representatives of the above agencies for a period of 2 years. The first head of the Board shall be the representative of the National Bank of Cambodia. The board members shall be appointed by the Royal Sub-decree with reference to the proposal of the National Bank of Cambodia.
3. The permanent secretariat of FIU shall have adequate staff selected by the head of FIU and approved by the Board. Staff shall meet high standards of integrity and shall be screened by the relevant authorities before employment by the FIU.

Article 21. Functions

The FIU shall:

a) receive suspicious and cash transaction reports made in pursuance of Article 12 of the present Law and information provided to the FIU about suspicions of money laundering or financing of terrorism;
b) collect information that the FIU considers relevant to its activities with regard to money laundering or financing of terrorism and that is publicly available, including commercially available databases, as well as other information necessary to carry out its

functions, such as information collected maintained and stored in the database by the reporting entity;

c) have access on a timely basis to financial, administrative and law enforcement information as authorized by law that is necessary to undertake its functions set forth by this Article, including information collected and maintained by, or stored in the databases of, any public agency;

d) analyze and assess all suspicious transaction reports and related information in order to determine whether there are reasonable grounds to believe that a money laundering offense or an offense of financing of terrorism has been committed and in such cases refer the matter to the relevant law enforcement authority for criminal investigation;

e) compile statistics and records on suspicious and cash transaction reports received, analyzed and forwarded to the law enforcement authorities and disseminate information to other public agencies on related matters as required;

f) provide feedback to reporting entities and other relevant agencies regarding the outcome of suspicious transaction reports or information provided to it under the present Law;

g) ensure that personal information under its control is protected from unauthorized disclosure;

h) act to enhance public awareness and understanding of matters related to money laundering and financing of terrorism.

Article 22. Supervision by the FIU

1. The FIU shall issue guidelines to reporting entities in relation to customer identification, record keeping, reporting of suspicious transactions and other obligations established pursuant to the present Law. The FIU shall consult with supervisory agencies in those sectors where such supervision is already in place.

2. The FIU shall be responsible for ensuring compliance of reporting entities with the requirements set forth by the present Law through off-site monitoring and by conducting on-site inspections in accordance with the relevant legislation. The FIU shall coordinate its supervision of compliance under the present Law with the existing supervisory agencies.

3. If during its supervision of compliance with the present Law, the FIU discovers non-compliance with any of its provisions, it may:

(a) instruct the reporting entity to take remedial action as determined by the FIU to rectify non-compliance;

(b) inform the other supervisory agencies of such non-compliance and propose that they implement control measures, including the imposition of sanctions or the revocation of license, within their competence, as appropriate;

(c) initiate administrative sanctions under the present Law.

Article 23. Obligation of Confidentiality

The FIU Board and its permanent secretariat shall be required to keep confidential any information obtained within the scope of their duties, even after the cessation of those duties within the FIU. Such information may not be used for any purposes other than those provided for by the present Law.

Article 24. Database

The FIU shall, in conformity with the relevant laws and regulations on the protection of privacy and on computerized databases, operate a database containing all relevant information concerning reports of suspicious transactions as well as currency transactions as required under the present Law. That information shall be updated and organized with a view to ensure maximum effectiveness of the FIU operational analysis and help confirm or invalidate suspicions.

Article 25. Relationships with Foreign FIU

1. The FIU may, subject to a reciprocal arrangement, exchange information with foreign FIU, provided that they are subject to similar requirements of confidentiality and irrespective of the nature of those units. It may, for that purpose, conclude cooperation agreements with such units.
2. Upon receipt of a request for information or transmission from a counterpart foreign FIU, it shall comply with that request within the scope of the powers conferred upon it by the present Law.

CHAPTER V: ANCILLARY PROVISIONS

Article 26. Internal Coordination

FIU, law enforcement authorities, supervisory authorities as well as other competent Government agencies entrusted with the prevention or control of money laundering and financing of terrorism shall establish their own permanent and senior-level mechanism for:

(a) ensuring information exchange and coordination among these authorities and with the relevant private sector associations,
(b) providing guidance as to the implementation of the present Law, and
(c) formulating policy for various areas falling under its scope.

The role and functions of this coordination mechanism shall be regulated by sub-decree.

Article 27. Limiting the Use of Cash in Commercial Transactions

The Government shall adopt appropriate measures to reduce the circulation and use of cash in commercial transactions and encourage the use of non-cash means of payment that facilitate the identification of the participants.

CHAPTER VI : SANCTIONS

Article 28. Disciplinary Sanctions

The Supervisory Authorities shall cooperate with the FIU to impose disciplinary sanctions to any reporting entity, which is not in compliance with the provisions of Articles 7 through 12 and Article 16 of the present Law.

Violation as mentioned in above paragraph shall be subject to the following sanctions:

- the warning;
- the reprimand;
- the prohibition or limitation to conduct any transactions for a period of time as indicated by the supervisory authorities;
- the revocation of the business license;
- the proposal to a demotion of relevant officials or directors of the reporting entities;
- the fine;
- the order to a temporary freezing on means and proceeds of money laundering and financing of terrorism;
- the complaint to the court while there is serious violation of the provisions of the present Law and other relevant regulations that leads to the damage of public interest and national security.

Article 29. Penal Sanctions

Without taking into consideration of any offenses in the penal provisions of other law:

- Any person who denies providing information to the FIU and the supervisory authorities as contrary to the provisions of Article 6 of the present Law will be sentenced to imprisonment from six days to one month and subject to a fine from 100,000 Riels up to 1,000,000 Riels or any one thereof.
- Any person who neglects to provide report on cash and suspicious transactions to the FIU as contrary to the provisions of Article 12 of the present Law will be sentenced to imprisonment from one month to one year, and will be subject to a fine from 1,000,000 Riels up to 5,000,000 Riels or any one thereof.
- Any person required to disclose the information and submit reports referred to in Article 13, or any other individual having knowledge thereof, communicate such information or reports as the contrary to the provisions of prohibition of tipping off in Article 15 of the present Law will be sentenced to imprisonment from one month to one year, and will be subject to a fine from 1,000,000 Riels up to 5,000,000 Riels or any one thereof.
- Any person who violates the obligations to keep professional secrecy as contrary to Article 23 of the present Law will be sentenced to imprisonment from one month to one year, and will be subject to a fine from 1,000,000 Riels up to 5,000,000 Riels or any one thereof.

Article 30. Freezing and confiscation of property

In case of a proceeding on the violation of money laundering or financing terrorism as stipulated in the existing Penal Code all relating or suspicious to be related property may be frozen or restrained from transferring until the court decision becomes definitive. In case where the court has decided to penalize the offence of money laundering or financing terrorism, the property shall be confiscated as state property.

CHAPTER VII: FINAL PROVISION

Article 31. The supervisory authorities shall issue regulations, instructions and guidelines for the implementation of the present Law, particularly regarding:

- the arrangement for information sharing with the FIU to the agreement in imposing disciplinary measures to be taken, or in suing the offenses to the court .
- the mutual coordination among supervisory authorities for the issuance of regulations, instructions, and guidelines for the implementation of the present Law.
- issuing regulations and guidelines to determine the duties and to protect officials and staff who perform their duties with integrity in the FIU, the information confidentiality protection and the information disclosure rules.

The supervisory authorities shall cooperate with the Financial Intelligence Unit in guiding the reporting entities to create program for the prevention of the money laundering and the financing of the terrorism in accordance with Article 16 of the present Law, and to issue the report formats according to the nature and character of the reporting entities.Regulations and guidelines issued by the supervisory authorities under the present Law can be modified or amended in an appropriate circumstance or when necessary.

Article 32. If there are provisions of other laws not consistent with this law the present Law shall prevail.

Article 33. The present Law has been declared as urgent.

Signed

NORODOM SIHAMONI

LAW ON FINANCIAL LEASE

CHAPTER I

GENERAL PROVISIONS

Article 1.-

The purpose of the present law is to determine the rights and duties of all parties involving in financial lease operations and take actions to protect those rights.

Article 2.-

The objective of the present law is to develop banking and financial system and enterprises in order to carry out equal, safe, effective, and productive financial lease operations in accordance with the evolution of the economy of the Kingdom of Cambodia.

Article 3.-

The present law covers only financial lease of movable property in the Kingdom of Cambodia.

Article 4.-

As used under the present law, the following words or terms shall have the following meanings.-

Lessor	means a person, natural or legal, who transfers the right to possession and use of movable property to a lessee.
Lessee	means a person, natural or legal, who receives the right to possession and use of movable property from a lessor.
Movable property	means all properties, plants, and equipments except land and building.
Term	means a period of time specified in the financial lease agreement in which the lessee is allowed the possession and use of the leased movable property.
Lease	means a transaction in which a lessor enters into an agreement with a lessee in which the lessee is granted the right to possession and use of movable property for a term in return for periodic lease payments or their equivalent. Lease shall include a sub-lease.
Sub-lease	means a transaction in which leased property is re-leased by the original lessee to other parties, and the lease agreement between the original parties remains in effect.
Financial lease	means a lease for an initial non-cancelable term of a year or more, in which.-

i- the lessee specifies movable property and selects the supplier without relying primarily on the skill and judgment of the lessor; and

ii- the movable property is acquired by the lessor in connection with a financial lease agreement for leasing to the lessee ;

Provided, however, that a subsequent lease of previously leased movable property is from the same lessor, such lease can still qualify as a financial lease.

A lease may be a financial lease without regard to:

i- whether or not the periodic lease payments are calculated so as to take into account in particular the amortization of the whole or a substantial part of the cost of the movable property, or

ii- whether or not the lessee has or subsequently acquires the option to buy the movable property or to hold it on lease for a further period.

Advance lease payment means any number of periodic lease payments that are paid by the lessee at or before the inception of the lease. Advance lease payments are not a security deposit.

Security deposit means an amount identified in a lease agreement as an amount paid by the lessee and to be held by the lessor as security for the full and regular obligations by the lessee under the Lease Agreement.

Supplier means a person, natural or legal, from whom a lessor acquires movable property to be leased to a lessee. The lessor's acquisition could be by purchase, lease, and assignment of a right to purchase or lease, including assignment of right from the lessee. The lessee could be a supplier in a sale-leaseback transaction.

Supply agreement means the agreement by which the lessor acquires possession and use of the movable property to be leased to the lessee.

Financial lease agreement means an agreement, in which the lessor purchases movable property selected by the lessee from a supplier, and leases this movable property to the lessee and authorizes the lessee to periodically pay the lease payment.

CHAPTER II

FINANCIAL LEASE AGREEMENT

Article 5.-

The financial lease agreement shall be in writing signed by the lessor and the lessee, and shall set forth the terms and conditions of the parties with respect to the leased movable property. The financial lease agreement needs not be notarized unless other law provides otherwise.

Article 6.-

An agreement shall be sufficient as a financial lease agreement if it provides at least:

i- a description of the leased movable property;
ii- the amount, periodicity and term of the financial lease payments and
iii- a commencement date of the financial lease, and
iv- the signature of the lessor and the lessee.

Article 7.-

A financial lease agreement may provide for a security deposit, advance lease payments, or both. A security deposit may or may not earn interest and may be returned to the lessee or applied by the lessor as specified in the financial lease agreement.

In the absence of a provision covering the handling of a security deposit, a security deposit shall not earn interest and shall be returned to the lessee after s/he has fully and timely fulfilled her/his lease obligations. Advance lease payment shall not earn interest. Security deposits and advance lease payment may be in any amount as agreed upon by the parties.

Article 8.-

If the lease agreement provides that the movable properties be labeled as owned by the lessor or subject to a lease from the lessor, such labels shall not be removed or rendered illegible by anyone other than the lessor or its authorized agent.

Any damage to such labels, which make them illegible, shall be immediately notified in writing to the lessor by the lessee upon discovery or the lessee shall be liable to the same extent as if the lessee had removed them without authorization. A lessee shall not be liable for it under this Article, if after reasonable the lessee’s notice to the lessor, the lessor failed to replace such labels.

Article 9.-

If the lessor and the lessee agree to settle their accounts by non-monetary methods, such as product, service or barter, the value of the non-monetary payments shall be determined by the market prices of such items, unless the parties specify in the lease agreement a different mechanism.

Article 10.-

Under a financial lease agreement, a lessee acquires the use of movable property for a period of at least a year. The lessee may or may not ultimately acquire the movable property at the end of the agreement. The lessor finances the use of the movable property, not its ownership.

CHAPTER III

RIGHTS AND OBLIGATIONS OF THE LESSOR

Article 11.-

The ownership right to the leased movable property shall remain with the lessor at all times during the lease term, and thereafter, until transferred to the lessee or other parties.

Article 12.-

The lessor shall be responsible for all import duties and fiscal obligation stated by law and registration fees upon the leased movable property, unless the lease agreement provides otherwise.

Article 13.-

The lessor has an obligation to pay for the movable property to the supplier once the lessee has accepted it without condition or reservation.

Article 14.-

The lessor warrants the quiet use and possession of the leased movable property to the lessee for the lease term to be free from interference, provided that the lessee is not in breach of the lease agreement.

Article 15.-

The lessor shall not be liable to the lessee in respect of the movable property except to the extent that the lessee has suffered losses as a result of the lessor's intervention in the selection of the movable property or in the specification of the movable property.

Article 16.-

During the implementation of the financial lease agreement, the lessor shall not be liable for any damages to third parties caused by the lessee using the leased movable property.

Article 17.-

In the event of a default of the financial lease agreement by the lessee, the lessor shall have in addition to such rights as provided by the lease agreement, the following rights.-

a- The lessor may require the lessee to pay the accrued unpaid lease payments together with interest and damages.

b- The lessor may also require accelerated payments of the future lease payments, may terminate the lease agreement, and may recover possession of the leased movable property if:

i- the lessee does not pay the lease payments pursuant to the lease agreement for two consecutive lease payment periods;
ii- the lessee breaches any other provision of the lease agreement and fails, after receiving a written notice from the lessor to remedy such breach within ten (10) days;
iii- the lessee has a guarantor who is insolvent, bankrupt, or dissolved and the lessee has failed to find a substitute guarantor acceptable to the lessor within thirty (30) days of a written demand by the lessor to do so; or
iv- the lessee is insolvent, bankrupt, dissolved or dead without assignee.

c- Whether or not the lease agreement is terminated prior to its expiration, the lessor may.-

i- recover possession of the leased movable property without having to go to court if such action would not cause a breach of peace; and
ii- recover such damages as acceptable by the lessor including the additional costs caused by the default of the lessee; the lease agreement may provide for the manner in which such damages are to be computed and such computation shall be enforceable by the two parties unless it would result in damages substantially in excess of those which will place the lessor in the position in which it would have been had the lessee performed the lease agreement in accordance with its terms

d- If necessary, the lessor may request for a court order directing the lessee to immediately return the movable property to the lessor upon presentation of an affidavit stating that the lessee is in default of the lease agreement. But the lessor shall remain liable for any damages caused to the lessee shall it subsequently be proven that repossession was a breach of the lease agreement by the lessor.

Article 18.-

The lessor has the right to require that the lessee indemnifies the lessor from any and all losses, claims, damages or other consequences arising from or in connection with the lessee's use and possession of the leased movable property.

Article 19.-

The lessor may require that the lessee obtains, maintains and pays for liability and casualty insurance covering the leased movable property during all times that s/he is in the possession or control of the lessee until the leased movable property has been returned to the possession and control of the lessor, even if the lease term has come to an end or the lease agreement has been earlier terminated.

If the lessee is obligated to obtain and pay for insurance, and fails to do so, the lessor has the right but not the duty to obtain such insurance and the lessee shall immediately reimburse the lessor if s/he has incurred such a cost.

Article 20.-

The leased movable property shall not be part of the lessee's estate. In this regard, in case of bankruptcy of the lessee, all creditors of the lessee including those who obtained right to foreclose the lessee's property by the court decision shall have no right in the leased movable property.

Article 21.-

The lessor may assign, transfer or otherwise deal with all or any of its rights in the leased movable property or under the lease agreement to any parties without the consent of the lessee. Such a transfer shall not relieve the lessor of any of her/his obligations or alter the nature of the lease agreement. The lease agreement may provide that the lessee agrees not to assert any offsets, defenses or claims against any assignee or transferee of the lessor.

Article 22.-

In case of the lessor bankruptcy, the creditors of the lessor and other interested parties shall have no greater rights than the lessor has pursuant to such financial lease agreements.

CHAPTER IV

RIGHTS AND OBLIGATIONS OF THE LESSEE

Article 23.-

A lessee has the obligation to accept the leased movable property if it is timely delivered and conforms to the supply agreement. If the leased movable property is not delivered or is delivered late or does not conform to the supply agreement, then at or before the time of acceptance, but not after, the lessee has the right to reject the movable property, to demand from the supplier the immediate cure of its defect or defects, or to cancel the lease agreement, but shall have no right to terminate, rescind or modify the supply agreement without the consent of the lessor.

The lessor has the right to ask the supplier to supply the movable property in conformity with the supply agreement but he has no obligation to be responsible for the failure caused by the supplier.

Article 24.-

Acceptance of the movable property may be by making a document acknowledging acceptance, or by other means which include:

(a) the lessee by its actions with respect to the leased movable properties has indicated that the movable property is acceptable, whether or not within compliance with the supply agreement;

(b) the lessee has failed to give timely notice as specified in the supply agreement to the lessor and the supplier of specific non-compliance with the supply agreement, where the supplier or the lessor could have timely cured the non-compliance had they been given timely notice;

(c) The lease agreement may provide that the lessee shall be deemed to have accepted the movable property unless the lessor receives a written notice of the lessee's rejection, detailing the specific reasons for rejection, with a specified period of ten (10) business days after the lessee has received the movable properties.

Article 25.-

The lessee's obligations under a financial lease, including the obligation to pay lease payment, become absolute and irrevocable upon the lessee's acceptance of the movable property.

Article 26.-

The lessee shall use the movable property in a reasonable manner in accordance with its movable properties and purpose, and in compliance with all applicable laws, rules and regulations, operational manuals, and manufacturer's requirements. The lessee shall also at its own expense maintain and repair the movable property and keep it in good condition and usable unless the lease agreement provides otherwise.

Article 27.-

At the expiration of the lease term or upon termination of the lease agreement, and in the absence of the proper exercise of any purchase option or renewal option, the lessee shall return the leased movable property to the lessor in as good condition as originally delivered, except for normal wear and tear.

Article 28.-

The lessee shall bear all risk of loss in respect of the leased movable property from the time of its delivery until it is returned to the lessor.

Article 29.-

The lessee shall not mortgage, pledge, encumber, lien or otherwise create a charge over the leased movable property.

Article 30.-

The lessee is obligated to keep the lessor informed in writing as to the current and the removal to a new location of the leased movable property unless the lease agreement provides otherwise.

Article 31.-

The obligations of the supplier under the supply agreement shall also be owed to the lessee as if it were a party to the supply agreement and as if the leased movable property were to be supplied directly to the lessee. However, the supplier shall not be liable to both the lessor and the lessee in respect of the same damage.

The lessee's rights derived from the supply agreement shall not be affected by a variation of

any term of the supply agreement previously approved by the lessee unless s/he consented to that variation.

Article 32.-

The lessee may not sublease, assign or transfer the right to the possession or use of the leased movable property under the lease agreement or in the leased movable property without prior written consent of the lessor and subject to the rights of third parties. Any such attempted sublease, assignment or transfer without lessor's prior written consent shall be null and void and conclusively deemed to have been in bad faith for all purposes under this and any other law.

CHAPTER V

SUPERVISORY AUTHORITY AND REGULATORY POWER

Article 33.-

The National Bank of Cambodia is the supervisory authority of financial lease institutions and shall:

1- issue, suspend or revoke licenses to operate financial lease business and define the licensing process and procedure;
2- issue regulations for the implementation of the present law, in particular:
    a. the amount of minimum capital,
    b. prudential ratios,
    c. loan classifications and provisioning.
    d. accounting system and related standards.
3- supervise permanently through both offsite and periodic onsite examination of the financial lease institutions;
4- take disciplinary sanctions in accordance with the conditions defined in Article 35 of the present law.

Article 34.-

Financial lease operations may be implemented by banks and financial lease institutions receiving licenses to operate banking business from the National Bank of Cambodia.

These operations may also be implemented by the financial lease institutions established under the provisions of the present law.

Financial lease institutions shall apply for a license from the National Bank of Cambodia to operate financial lease business.

Financial lease institutions shall not be allowed to undertake banking operations other than the financial lease business.

CHAPTER VI

SANCTIONS

Article 35.-

If a financial lease institution has contravened a provision of the laws or regulations governing its activities, has failed to heed a warning or not complied with an injunction, the supervisory authority may impose one of the following disciplinary sanctions:

- caution;
- reprimand;
- prohibition on the execution of certain operations and any other limitations on the carrying on of business;
- temporary suspension of one or more of the executives, with or without appointment of a provisional administrator;
- compulsory resignation of one or more of the executives, with or without appointment of a provisional administrator;
- placement of subsequent provisional administrations;
- withdrawal of the license and liquidation.

CHAPTER VII

TRANSITORY PROVISIONS

Article 36.-

Any institution undertaking financial lease business with no legal status shall apply for license from the supervisory authority according to the provision of the present law during a period of twelve (12) months after this law comes to be in force.

CHAPTER VIII

FINAL PROVISIONS

Article 37.-

The present law shall prevail if there are provisions of other laws not consistent with the present law.

Article 38.-

The present law has been declared as urgent.

Royal Palace, Phnom Penh, 20 June 2009

Signed and Sealed

NORODOM SIHAMONI

Nº B7-97-147 Prokor

PRAKAS

ON

CONDITIONS FOR BANKS AND FINANCIAL INSTITUTIONS

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As amended by Law on Banking and Financial Institutions dated November 18, 1999 and the following Prakas: B9-08-414 dated August 28, 1998 on the Sources of fund from deposits for locally use of Banks and Financial institution, B7-01-137 dated October 15, 2001 on Loans to related parties, B7-05-054 dated March 10, 2005 on Loan Policies, Procedures and Lending Authority, B7-06-210 dated September 13, 2006 on Amendment to Prakas on Fee for Increase Capital of Banking and Financial Institutions, B7-01-187 dated November 08, 2001 on Transfer of Shares of Banks, B-7-06-226 dated November 3, 2006 on Controling Banks and Financial Insitutions' Large Exposures, B7-01-186 dated November 08, 2001 on Fixed Assets of Banks, B7-010-182 dated October 15, 2010 on Calculation of Banks' Net Worth, B7-00-06 dated January 11, 2000 on the Licensing of Micro-Finance Institutions, B7-00-05 dated January 11, 2000 on the Licensing of Rural Credit Specialized Bank, B7-00-04 dated January 10, 2000 on the Licensing of Banks, B7-04-205 dated December 29, 2004 on License Fees of Banks and Financial Institutions and B7-08-193 dated September 19, 2008 on New Capital Requirement and Criteria for Licensing Approval of Banks.

PART I

CAPITAL

Article 1: The registered capital of the institutions is as followed:

1.1- *[Expired]*
1.2- *[Repealed by B 7-08-193 dated September 19, 2008, specifically article 7 and 8].*
1.3- *[Repealed by Prakas B7-00-04 dated January 10, 2000, B7-00-05 dated January 11, 2000, B7-00-06 dated January 11, 2000 and B7-010-182 dated October 15, 2010].*
1.4- *[Repealed by B 7-010-182 dated October 15, 2010].*
1.5- *[Repealed by B 7-010-182 dated October 15, 2010].*

Article 2: *[Repealed by B7-01-136 dated October15, 2001].*

Article 3: The registered capital of the institution can be increased or decreased on the following conditions:

3.1- *[Repealed by the following Prakas: B7-00-06 dated January 11, 2000, B7-00-05 dated January 11, 2000, and B7-00-04 dated January 10, 2000].*
3.2- *[As amended by Prakas B7-06-210 dated September 13, 2006].*

Banks and Financial Institutions shall seek permission from the National Bank of Cambodia prior to the increase of capital. Each increase of capital is subject to a processing fee of 0.03% of the increased amount.

3.3- *[Repealed by the following Prakas: B7-00-06 dated January 11, 2000, B7-00-05 dated January 11, 2000, B7-08-193 dated September 19, 2008 and B7-00-04 dated January 10, 2000].*

Article 4: *[Repealed by Prakas B7-01-187date November 08, 2001].*

Article 5: *[Repealed by Prakas B7-00-04 dated January 10, 2000, B7-00-05 dated January 11, 2000, and B7-00-06 dated January 11, 2000].*

PART II
OPERATING LICENSE

Article 6: *[First sentence expired].*The founder of the institution shall be applying in these stages

6.1. First stage: Providing information and guidelines on conditions for the applications, *[The remaining was repealed by the following Prakas: B7-00-06 dated January 11, 2000, B7-00-05 dated January 11, 2000, and B7-00-04 dated January 10, 2000].*

6.2. Second stage: Issuing of principal approval:

6.2.1. The principal approval is issued by the National Bank of Cambodia after studying the documents and found to be correct and complete, to enable the transfer of capital to National Bank of Cambodia for setting up a bank premises and preparing for the commencement of operation stated on the principle approval.

6.2.2. In case that the institution cannot be in operation at the assigned date as in the principle approval, it shall be fine 5,000,000 riels (five million riels) per day for a period of 30 days. If still unable to operate the principle license shall be repealed.

6.3. Third stage: Issuing an Operating License:

6.3.1. This operating license is issued institution by the National Bank of Cambodia after examining that all conditions in the principle approval and requirement documents are fully complied.

6.3.2. & 6.3.3 *[Repealed by the following Prakas: B7-00-06 dated January 11, 2000, B7-00-05 dated January 11, 2000, and B7-00-04 dated January 10, 2000].*

6.3.4. The operating license can be renewed when the institution has fulfilled all formalities all formalities or any document that concerns the validity and legalize. If the institution can not conform to all these conditions, it shall be fined 1,000,000 riels (one million riels) per day effective from the last valid date of the relevant operating license until renewal date is granted.

Article7: *[Repealed by the following Prakas: B7-00-06 dated January 11, 2000, B7-00-05 dated January 11, 2000, B7-00-04 dated January 10, 2000 and B7-04-205 dated December 29, 2004].*

PART III

CREDIT AND PARTICIPATION OPERATIONS

Article 8:

8.1 Replaced by B7-06-226 dated 03 November 2006 on the on Controlling Banks and Financial Insitutions' large exposures.

8.2 Banks and financial institutions cannot grant loans (including lease loans and all types of signatory guarantees) to:

8.2.1 Loans to shareholders, Directors and General Manager (replaced by Law on Banking and Financial Institutions dated November 18, 1999 specifically article 49 and 50 and B7-01-137 dated October 15, 2001 on Loans to related parties.

8.2.2 Use for paying equity participations in establishing one or more institutions.

8.2.3 Use overseas

8.2.4 Locally use but pledged by overseas collateral.

8.3 Replaced by B-7-05-54 dated 10 March 2005 on the Loan Policies, Procedures and Lending Authority.

8.4 Replaced by Law on Banking and Financial Institutions dated November 18, 1999 Specifically in Chapter 10: Equity participations by covered entities in the capital of other commercial companies.

PART IV

FIXED ASSETS

Article 9, 10, and 11: *[Repealed by Prakas B7-01-186 dated November 08, 2001]*.

Article 12

General Directors, Internal Audit, Cabinet, all National Bank of Cambodia departments and all commercial banks and financial institutions under the supervision of the National Bank of Cambodia shall strictly implement this Prakas.

Article 13

This Prakas shall be effective from the date of signing.

Phnom Penh, 29 December 1997

The Governor

Signed: **Thor Peng Leath**

Nº B7-08-193 Prokor

PRAKAS
ON
NEW CAPITAL REQUIREMENT AND CRITERIA
FOR LICENSING APPROVAL OF BANKS

****

Article 1.-

The purpose of this Prakas is to redefine the minimum registered capital and criteria for licensing approval of Banks. The NBC will assess the applicant's capacity to achieve its development objectives in a manner that is compatible with the smooth working of the banking system and offers sufficient safety for its customers. Applications to obtain a bank license that do not meet with conditions set up in this Prakas shall be rejected in writing.

Article 2.-

The bank shall be managed by two persons with the necessary integrity, qualifications, and suitable banking experience.

Article 3.-

The shareholder or shareholders shall have proven experience in the activities that the bank intends to develop.

Article 4.-

Applicants shall prove that the bank to be established will be appropriately staffed in terms of number and skills. Technical resources, including information systems, must be efficient and reliable, particularly in regard to the security of operations with customers.

Article 5.-

Applicants must comply with requirements to set up an internal control system that enables the bank:

- to ensure that operations, organizational structures and procedures comply with the prevailing laws and regulations and business practice and standards;
- to ensure compliance with limits imposed with regard to risk, especially counterparty, interest-rate and exchange-rate risk; and
- to ensure the quality of financial and accounting reporting.

Article 6.-

The bank's financial viability over a term of several years must be sufficiently established by means of business plans, market studies and financial simulations including, where appropriate, stress scenarios. The financial simulations must cover both the customary indicators used in financial analysis and prudential standards.

Article 7.-

Article 1 of the Prakas B7-00-39 dated February 09, 2000, on Commercial Banks' Minimum Capital is "replaced by the following article:

"Commercial banks locally incorporated as companies which have at least one influential shareholder as a bank or financial institution with a rating "investment grade," extended by a reputable rating agency, must have minimum capital equal to at least KHR 50,000,000,000 (fifty billion).

Commercial banks having shareholders as individuals or companies must have a minimum capital of at least KHR 150,000,000,000 (one hundred fifty billion)."

Article 8.-

Article 4 of the Prakas B7-00-05 dated January 11, 2000, on the Licensing of Rural Credit Specialized Banks is replaced by the following article:

"Specialized banks locally incorporated as companies which have at least one influential shareholder as a bank or financial institution with a rating "investment grade," extended by a reputable rating agency must have minimum capital equal to at least KHR 10,000,000,000 (ten billion).

Specialized banks having shareholders as individuals or companies must have a minimum capital of at least KHR 30,000,000,000 (thirty billion)."

Article 9.-

Procedures and an additional series of criteria shall be defined in a separate Circular from the NBC.

Article 10.-
Banks, which obtained a license or principal letter before this Prakas is issued, shall increase their capital equal to the minimum capital as defined in Article 7 and Article 8 of this Prakas no later than the end of 2010.

Article 11.-

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 12.-

This Prakas shall take effect from this signing date.

Phnom Penh, 19 September 2008

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-9-09-230 Prokor

PRAKAS

ON

MONEY CHANGER LICENSE OR AUTHORIZATION

****

Article 1.-

The objective of this Prakas is to manage money changer operations carrying out in the Kingdom of Cambodia.

Article 2.,

Definitions:

1. **Domestic Currency** refers to the Riel issued by the National Bank of Cambodia.
2. **Foreign Currency** refers to currencies or mean of payment established by foreign government.
3. **Money Changer Operations** refer to the operations of buying and selling domestic currency in exchange for foreign currencies or buying and selling a foreign currency in exchange for others.

Article 3.-

Money changer operations include:

- Buying and selling banknotes.
- Buying traveller checks

Article 4.,

1- Any person who wants to run a money changer operation shall apply for a license or authorization at the National Bank of Cambodia.
2- The applicants shall:

   a. Have minimum paid-up capital of KHR 80 million (eighty million Riel) kept in account at the National Bank of Cambodia permanently and it will generate interest set forth by the National Bank of Cambodia.
   b. Have the rights to participate in the Riel auction conducted by the National Bank of Cambodia.
   c. Have the rights to participate in the training on detecting counterfeit money organized by the National Bank of Cambodia

Article 5.-

1- The application for license must include:

   a. The legal name and address
   b. Evidence of paid-up capital
   c. Other information required by the National Bank of Cambodia

2- The application for authorization shall include:

   a. Name and permanent address of the applicant
   b. Operation address approved by the territory authority, district or commune.
   c. Other information required by the National Bank of Cambodia

Article 6.-

1- Upon receiving an application, NBC shall issue or refuse issuing the license or authorization at her discretion in 45 days.
2- License or authorization cannot be transferred to another person.
3- License can be used for three years starting from the issuing date.
4- Authorization can be used for one year starting from the issuing date

Article 7.-

1- The license applicant shall pay fees as follows:

   a. Application fee of KHR 100,000 (one hundred thousand Riel);
   b. Annual license fee of KHR 1,200,000 (one million and two hundred thousand Riel) to be paid before January 15 every year.
   c. Within 30 days before the expiration of the license, operator shall apply for the license renewal.
   d. In case of failing to renew the license in time, the operator shall be fined KHR 20,000 (twenty thousand Riel) per day. If the operator fails to renew the license within 30 days, the National Bank of Cambodia shall not accept the renewal application.

2- The authorization applicant shall pay fees as follows:

   a. Application fee of KHR 100,000 (one hundred thousand Riel)
   b. Annual authorization fee of KHR 200,000 (two hundred thousand Riel)
   c. Within 30 days before the expiration of the authorization, operators shall apply for authorization renewal.

3- Any person who applies for license during the year shall pay the fees calculated with time proportion to the end of the year.
4- The license or authorization shall own by the operator.
5- In case of running multiple operations in many locations or addresses, each location or address shall be licensed or authorized by the National Bank of Cambodia and shall not operate in a other different location.
6- Any change in address, location of operation, ownership, close of operation, and opening new location, operator shall report immediately in writing to the National Bank of Cambodia. In all above changes, operation shall not be allowed before betting the written approval from the National Bank of Cambodia.

Article 8.-

1- The holder of license or authorization:
   a. Shall display operational trade name “ប្តូរប្រាក់” in Khmer and in English

"**Authorized Money Changer**"

b. Shall display the license at all time in the approved premise which is easily noticeable
c. Shall display to the public the quotation list of the daily exchange rate between Riels and Dollars and between Dollars and other currencies.
d. Shall apply for approval from the National Bank of Cambodia prior to commencing business at the new address.

2- The license or authorization holder shall comply with the code of conducts attached to this Prakas.

Article 9.-

The National Bank of Cambodia may suspend or revoke the license or authorization, if the holder:

a. Violates the meaning of this Prakas and its attachment
b. Does not cooperate with the National Bank of Cambodia or relevant authority on their duty of examination or investigation
c. Engages in fraud and intentional misrepresentation
d. Speculate by manipulating the exchange rates
e. Discloses information that lead to the misunderstanding or losing confidence of the public on the national currency
f. Is convicted of a violation of Law on an Anti-money Laundering and Combating the Financing of Terrorism.

Article 10.-

Any holder of license or authorization who fail to comply with the provision of this Prakas shall be penalised according to article 70 of the Law on Organization and Conduct of the National Bank of Cambodia.

Article 11.-

The Prakas No B998-393 PRK, dated August 5, 1998 on the Management of Foreign Exchange Dealers is hereby repealed.

Article 12.-

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the supervisory authority of the National Bank of Cambodia shall strictly implement this Prakas.

Article 13.-

This Prakas shall have effect from the signing date.

Phnom Penh, 19 October 2009

The Governor

Signed and sealed: **Chea Chanto**

APPENDIX TO PRAKAS No B 9-09-230 Prokor

Dated 19 October 2009

THE CODE OF CONDUCT FOR MONEY CHANGER OPERATION

1- SCOPE

This code of conduct shall apply for all money changers operating in Cambodia. Money changer shall, at all times, comply with this code of conduct.

The National Bank of Cambodia (NBC) is the regulatory and supervisory authority, and under its jurisdiction, the Money changers are regulated and shall be sanctioned for any offenses against laws, regulations, and non compliance with the principles set forth in this Code of Conduct.

Any person who operates its business as money changer shall apply for approval (license or authorization) from NBC before starting money changing operation.

2- MONEY CHANGER OBLIGATION

i- A licensed or authorized money changer shall be required to have:

a. A receipt which states that serial numbers, trade name, address, and phone number. Each serial number shall have duplicated pages in which first page is for customer and the second page is for own documentation. Money changer shall provide receipt to customer for all transactions
b. A special receipt for seizing counterfeit banknote or traveler check. Each serial number shall have three pages in which the first one is for customer, the second one with the counterfeit banknote is for NBC, and the third one is for own documentation.
c. Qualified employees who can provide receipt, record, and report to NBC.

ii- In general, money changer shall provide service in fair and professional manner by committing no fraud or taking advantage of customer's low level of knowledge of detecting counterfeit or calculating the amount to be received

3- PROHABITED ACTIVITIES

Money changer shall be strictly prohibited from:

- Providing money transfer services
- Providing forward foreign exchange
- Providing securities brokerage service
- Accepting deposit from the public
- Providing loan to the public
- Providing mean of payment to the public
- Advertising that can make the public misunderstood that he or she provides the above services
- Dealing counterfeit banknotes

Any activity against the law shall be liable to criminal prosecution and his or her license or authorization shall be revoked.

4- DUE DILIGENCE

Money changer shall provide due diligence for all transactions by requesting customer's official identification. The official identifications shall be national identification card, passport, and other identification card with photo.

This due diligence shall be applied for:

- Customer with transaction over USD 10,000 (ten thousand US dollars)
- Customer who makes smaller transaction for several times without clear purposes.

The customers who make transactions with clear purpose for tax payment, salary payment, or agricultural product purchases, etc. the due diligence shall be applied in a better way.

If customer refuses to disclose the identification, money changer can refuse to provide the service.

5- COUNTERFEIT BANKNOTE

In all transactions, money changer shall detect counterfeit banknote and traveler check. If counterfeit banknote and traveler check were detected, money changer shall provide receipt to customer and send the counterfeit to NBC.

Money changer shall detect his or her own banknote in order to prevent counterfeit from circulation.

The counterfeit attached by receipt shall be immediately sent to NBC. The original page shall be given to the customer, the second page for bookkeeping and the third page is for own documentation. The receipt shall record clearly customer identification, address, residential country, type and number of identification card, date and place of issue.

If customer sells a large amount of counterfeit or small amount but for many times, money changer shall report this to the concerned authority and NBC or the nearest NBC branch.

Knowingly issuing or re-issuing counterfeits and complicity to facilitate circulation of counterfeit banknote are liable to criminal prosecution and license or authorization shall be revoked. Therefore, Money Changer is required to exercise utmost care and to refrain from facilitating circulation of counterfeit banknote and traveler check.

6- VIGILANCE AND REPORTING OBLIGATION: ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Money changer is the active participant in the foreign exchange market. Therefore, money changer is considered to be a reporting person under the law on anti-money laundering and combating financing of terrorism. In this context, money changer has to comply with this law by implementing customer due diligence and reporting the transaction with amount over the limit set forth by the financial intelligence unit.

The purpose of the obligation is to prevent money changer from participating with purpose or without purpose in the activity related to money laundering and financing of terrorism which is the criminal activity set forth in criminal law. Money changer shall comply strictly with

regulation and law in order to refrain from illegal activities and to be a good citizen.

The procedure for anti-money laundering and financing of terrorism will be provided by the financial intelligence unit.

Money changer shall report on a monthly basis the follows:

a. All transactions shall be recorded as shown in table 1
b. All transaction with the amount over USD 10,000 (ten thousand US dollars) shall be reported as shown in the table 2. Any person who transact frequently amounted to over USD 10,000 (ten thousand US dollars) is also reported in the same manner.

Daily transaction report of the money changer shall be sent to NBC (Exchange Management Department and Financial Intelligence Unit) by the second week of the following month.

7- BOOKKEEPING AND RECORDING

(i) Money changer shall maintain bookkeeping and recording in compliance with tax obligation, professional standard, and requirement by regulations and other law
(ii) Bookkeeping and recording of foreign exchange transaction is the obligation.
(iii) A licensed money changer shall have a general ledger for recording all foreign exchange transactions. The said general ledger shall be kept at the place of operation and can be examined by the authority if needed. Document required by NBC for on-site examination are as followings:

a. A copy of daily dealing receipts in its order of serial number and date
b. A copy of receipt issued for customer when there is a counterfeit banknote or traveler check
c. A copy of suspicious transaction sent to NBC

All records shall be maintained for 5 years.

8- NBC SUPERVISION AND EXAMINATION

The examination team of NBC can conduct on-site examination on money changer without prior notice.

Money changers shall cooperate and facilitate the examination process and provide all bookkeeping, records, and other transactions' evidence material requested by the team.

If money changer obstructs the examination process or refuse to cooperate, such behaviors shall be liable to sanctions determined by the NBC.

9- ACEPTANCE OF THE CODE OF CONDUCT

Money changer shall clearly understand and strictly implement all articles set forth in this code of conduct.

Nº B-9-09-262 Prokor

PRAKAS

ON

LICENSING TO CONDUCT THE BUSINESS OF PRECIOUS METALS AND STONES IMPORT/EXPORT

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Article 1.-

The license to conduct the business of the import/export of precious metals and stones can be issued to any company intending to conduct the business in compliance with the following conditions:

1- The applicants shall be the legally-registered commercial company.
2- The application for the license shall include:

   a. Certified letter of being a registered company at the Ministry of Commerce
   b. The official name of the representative of the company
   c. Both permanent residential and business addresses
   d. Business name
   e. The articles of the company
   f. The certified letter from the local authority on business address approval
   g. Other documents required by the National Bank of Cambodia

3- The applicants shall pay the documentation fees for 1,000,000 riels (one million riels) and the annual license fee for 2,000,000 riels (two million riels).

Article 2.-

1. Every company having received the license from the National Bank of Cambodia has the rights to sell/buy and import/export the precious metals and stones.
2. Every licensed company shall conduct their own businesses at the location authorized by the concerned competent and thereby shall display their own company names or marks publicly.
3. The company shall pay the National Bank of Cambodia for the declaration fee for 2,000,000 riels (two million riels) every transaction of importing/exporting precious metals and stones.

Article 3.-

The license to conduct the business of importing/exporting precious metals and stones shall be revoked from any company in the case of its failure to comply with the set rules and regulations.

Article 4.-

In the case of suspension and cessation or change of the business location, the licensed company shall submit a written request with relevant documents to the National Bank of Cambodia at least 30 days beforehand for approval.

Article 5.-

Any individual conducting the business of precious metals and stones import/export without license or authorization from the National Bank of Cambodia shall be penalized as stated in the article 70 of the law on the organization and conduct of the National Bank of Cambodia.

Article 6.-

Prakas No.B 994-01 Prokor dated on February 01, 1994 is hereby repealed.

Article 7.-

General Directorate, General Secretariat, General Inspection, General Cashier, all departments under the supervisory authority of the National Bank of Cambodia, and the licensed companies shall undertake their duties in executing this Prakas.

Article 8.-

This Prakas shall take effect from the date of signature.

Phnom Penh, 29 December 2009

The Governor

Signed and sealed: **Chea Chanto**

No B7-00-04 Prokor

PRAKAS

ON

THE LICENSING OF COMMERCIAL BANKS

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As amended by the following Prakas: B7-06-207 dated September 13, 2006 on Amendment to Prakas on Licensing of Commercial Banks, B7-04-205 dated December 29, 2004 on License Fees for Banks and Financial Institutions, B7-01-187 dated November 08, 2001 on Transfer of Shares of Banks, and B7-01-136 dated October 15, 2001 on Bank's Capital Guarantee.

Chapter I

General Provisions

Article 1

Banks as defined in Chapter I of the Law on Banking and Financial Institutions (LBFI) and in accordance with Article 14 of this law must obtain a license from the National Bank of Cambodia (NBC) before starting business.

Article 2

An applicant for a bank's banking license shall take one of the legal forms provided for in Chapter III of the Law on Banking and Financial Institutions.

Article 3

Before obtaining a license, an applicant must show a minimum registered capital at least equal to a sum fixed by the relevant Prakas issued by the National Bank of Cambodia.

Chapter II

Procedure for Submitting a License Application

Article 4

The application for a license[1] shall be drawn up by a duly authorized individual (manager or person expressly empowered to such effect) and shall indicate the following:

(a) Name or business name of the institution.
(b) Address of the headquarters, or of the branch in Cambodia in the case of a

[1] A letter of application for obtaining a license (Article 14 of the LBFI) for notification purposes (Article 23 of the LBFI) or to obtain prior authorization (Article 24 of the LBFI), in compliance with the model letter provided in Annex I, must be submitted.

foreign company.

(c) Legal form and the articles of association or other founding instrument.

(d) Type of securities representing the capital; connection between the holding of such securities and the exercise of voting rights.

(e) Amount of existing or planned capital or amount of capital endowment in the case of branches of foreign companies. This amount must be at least equal to the sum referred to in Article 3 of this Prakas.

(f) Distribution of shares and voting rights; possible agreements between shareholders acting in concert with a view to directing the policy of the bank.

(g) Contributors of capital which will hold 5 percent or more of the voting rights must provide the information listed in Article 5 of this Prakas.

(h) Identity of at least two persons responsible for the effective direction of the bank's business. These designated managers must provide the information listed in Article 6 of this Prakas and furnish a copy of their police records. For managers of foreign nationality who have been resident in Cambodia for less than 3 years, the above-mentioned police record shall be replaced by a document issued by the competent home country authorities certifying that the person concerned is not prohibited from managing a financial institution under the terms of that country's regulations. The managers of Cambodian branches of foreign banks must be appointed by the competent authorities at headquarters.

(i) Identity of the members of the decision-making body. This information must be supplemented by a curriculum vitae and a questionnaire as provided for in Annex IV and a statement certifying that none of the individuals concerned is subject to the prohibitions set forth in Article 18 of the Law on Banking and Financial Institutions; the members of the decision-making body should have at least three years of credit experience, which must be evidenced by the curriculum vitae of the member concerned.

(j) If the legal entity for which the application is made has already been founded, provide a description of its business and certified copies of its last three audited balance sheets.

(k) Description of the planned activity over the next three years:

- Nature and volume of the different types of lending liable to appear on or off the balance sheet (for loans: nature, form, purpose, main terms and conditions, annual volume and amount outstanding).
- Nature and volume of other services offered to customers (savings accounts, provision of means of payment, asset management, etc...).
- Type of clients (private individuals, companies, international organizations, institutional investors) that the bank intends to seek.
- Nature of planned financial resources: own funds, shareholder advances, negotiable debt instruments or bonds, deposits from the general public, borrowings on the interbank market, etc.
- Likely number of employees over the next three years and corresponding payroll, broken down by category of staff.
- Planned organization and resources, especially as regards attracting clients (possible creation of branches) and as well as accounting procedures and computer system.
- Balance sheet and profit and loss account forecasts for the next three accounting periods. Forecast level of main prudential ratios (as defined by the NBC) at the end of the next three accounting periods.

(l) Internal audit:

- Planned internal audit organization for application of provisions of Article 43 of the Law on Banking and Financial Institutions.
- Methods for setting internal limits on the various types of exposure and planned procedures for ensuring compliance.
- Planned procedures for ensuring compliance with ethical standards, particularly as regards financial transactions with clients, and for taking part in the fight against money laundering.
- Composition and duties of the audit committee.

(m) External audit:

- Identity of proposed auditors, who must obtain the prior authorization of NBC.
- Nature of auditors' assignments.

(n) Headquarters or parent company control (for branches or subsidiaries of foreign banks).

- Description of procedures for parent company control of foreign branches or subsidiaries.
- Description of supervision of foreign branches or subsidiaries by the competent home country authorities.

Article 5

Capital contributors holding 5 percent or more of the applicant's capital or the voting rights must provide the following information:

(a) Identity of the capital contributor:

In the case of a legal entity, indicate the business name, legal form, address of the headquarters and furnish the Articles of Association.

In the case of an individual, state his or her full name, date and place of birth, nationality (dual where appropriate) and domicile. Indicate whether this person is to be appointed one of the managers of the bank. State whether the capital contributor is to be represented on the bank's board of directors; if so, ensure that this representative is not subject to the prohibitions laid down in Article 18 of the Law on Banking and Financial Institutions. For all these purposes each individual concerned must fill in the curriculum vitae and questionnaire appended in Annex IV.

(b) Indicate the amount and percentage of the proposed participation and its equivalent in voting rights. Describe in detail the legal and financial arrangements for the acquisition of the securities. If the contributor is an individual, indicate precisely the origin of invested funds.

State whether the transaction is subject to particular formalities in respect of regulations such as those applicable to foreign direct investment in Cambodia and whether such formalities have been complied with.

(c) Indicate the distribution of share capital of the capital contributor. If need be, state the distribution of the share capital of the parent company and of intermediate holding companies (give percentages in terms of shareholdings and voting rights). List the main managers of the capital contributor.

(d) Describe the activities of the capital contributor: If the capital contributor is part of a group, provide a description of the main entities of said group together with an organization chart. Indicate whether the capital contributor has significant equity holdings in other credit institutions. Indicate whether the group to which the capital contributor itself belongs has significant equity holdings in credit institutions. If so, list such interests.

(e) State whether the capital contributor and the companies possibly associated with it carry on a financial activity. If so, indicate the regulations and the authorities to which they are subject in this respect.

(f) Indicate the internal and external audit procedures of the capital contributor.

(g) Indicate whether, over the preceding ten years the capital contributor has been the subject, in Cambodia or abroad, of an investigation or of a professional, administrative, or judicial proceeding of a material nature. State whether any penalty was imposed as a result of the investigation or proceeding. Also indicate if the contributor is or is expected to be, in Cambodia or abroad, the subject of an administrative, judicial or amicable proceeding likely to have a material effect on its financial condition.

(h) State the capital contributor's objectives for the acquisition of an equity holding in the bank applying for a license. Give all relevant information.

(i) Indicate whether there is significant business between the capital contributor and the applicant and how these relations are likely to develop in the future.

(j) Indicate the main banking relations of the capital contributor in Cambodia and how long these relations have existed.

(k) Provide the accounts of the capital contributor or its parent company for the last three years and a forecast for the current year (including consolidated information where applicable). If the capital contributor is a financial institution, furnish information on the main prudential ratios.

Article 6

Each of the two persons expected to be appointed to a managerial position, that is, to be responsible for the effective direction of the bank's business, must provide the following information[2] by filling in the curriculum vitae and questionnaire appended in Annex IV.

(a) Manager's identity:

- Full name,
- Date and place of birth,
- Nationality,
- Personal address (give planned place of residence after taking up the appointment, if different; managers should have their residence close to the main place of business, namely inside Cambodia).

(b) Qualifications and experience:

[2] The National Bank of Cambodia must have, with regard to the appointment of managers, all information necessary to assess the good repute, fairness, and worthiness of the person concerned.

- Academic degrees as well as date and place where diplomas were awarded,

(c) Work experience over the past ten years, including the name, place of business and activity of the employer(s), the type of experience gained and the level of responsibility.
(d) Indicate whether, in carrying out your duties, you will act in concert with or in accordance with the instructions of another individual or legal entity other than the applicant. In either case, give all relevant information.
(e) Describe the managerial tasks for which you will be directly responsible.
(f) Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) of a company other than the applicant. If so, state the name and activities of such company or companies and the amount of your shareholding or interest in same.
(g) Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, have or might soon have significant business relations with the applicant.
(h) Indicate whether in Cambodia or abroad you have been the subject of a professional, administrative, or judicial proceeding resulting in a penalty. Give all relevant details, as appropriate.
(i) Indicate whether you currently have, or intend to have, an amicable arrangement with creditors or any other judicial or extra judicial arrangement, in Cambodia or abroad, for the purpose of settling debts that you have been unable to honor in accordance with your initial commitments. State whether you are aware of any such proceedings involving companies in which you have held or hold positions of responsibility, or of which you are or have been a significant shareholder. Give all relevant details.
(j) Indicate whether you have been the subject of disciplinary or dismissal proceedings by any of your employers. If so, give all relevant details.
(k) Indicate whether you are a capital contributor to the applicant and whether you intend to carry out, either directly or through an intermediary, personal or professional transactions with the applicant.
(l) Provide all additional information that would appear likely to inform the NBC.
(m) All the answers to the above-mentioned questions should be submitted through the curriculum vitae and questionnaire appended in Annex IV, together with a letter in compliance with the model letter provided in Annex II.

Article 7

A capital contributor which will directly or indirectly hold at least 20 percent of the capital or voting rights shall be considered as an influential shareholder in accordance with the provisions of Article 26 of the Law on Banking and Financial Institutions. Influential shareholders can be enjoined by the National Bank of Cambodia to increase the net worth of the bank under the conditions described in Article 27 of the Law on Banking and Financial Institutions. For that purpose, a letter in accordance with the model letter set forth in Annex III must be sent to the Governor of the National Bank of Cambodia. Such a provision will only be removed when a reliable deposit insurance scheme is set up in Cambodia.

Chapter III
Approval and Related Fee

Article 8

The National Bank of Cambodia shall provide written notification of its decision within six months from the receipt of application including all relevant documents. Where appropriate, the approval shall set out the specific conditions laid down by the National Bank of Cambodia for its entry into force and the timetable for the project. If the project has not been completed upon expiry of the deadline and if no extension has been requested, the approval becomes void.

Article 9: *[As amended by Prakas B7-06-207 dated September 13, 2006]*

An indefinite license shall be provided by the National Bank of Cambodia to all commercial banks operating in the Kingdom of Cambodia.

Article 10

A bank shall pay a fee of KHR 3.5 million upon submission of the application for a license.

Article 11

The annual license fees shall be paid before 15 of January as follows:

- *[partly repealed by Prakas B7-04-205 dated December 29, 2004, that established new license fees]*

For banks established during year, the license fee shall be calculated on a pro rata basis for the period remaining to year's end. In the event of late payment of the license fee, the bank concerned shall be fined by paying interest on the overdue payment at the prevailing refinancing interest rate for a period up to thirty days.

Bank, which would remain not compliant beyond this period, would be subject to a more serious penalty, which could go up to the revocation of their license.

Chapter IV

Other Provisions

Article 12: *[Repealed by Prakas B7-01-136 dated October 15, 2001].*

Article 13 & 14: *[Repealed by Prakas B7-01-187 dated November 08, 2001].*

Article 15

In the event of the appointment of new managers (namely the two persons responsible for the effective direction of the bank's business) the following information must be furnished to the National Bank of Cambodia:

- the new manager must send a letter conforming to the model set forth in Annex II informing the Governor of the National Bank of Cambodia of his appointment as manager and indicating his position;
- a document providing proof of such appointment (board meeting minutes for example);
- the information referred to in Article 6 above.
- All these documents must be furnished at least one month before the person concerned takes up his position.

Article 16

Other changes in the legal or financial status of a bank must be submitted to the National Bank of Cambodia for approval. Application materials should be accompanied by a description of the reasons for the planned operation and, as applicable, by the following information:

- extension or redefinition of activity: the information referred to in paragraph k of Article 4 of this Prakas must be furnished;
- capital reduction : description of terms and conditions, namely legal and accounting arrangements and indication of the new amount of own funds with possible effects on future business and prudential ratios;
- change in legal form : draft amendments to the Articles of Association and information concerning management bodies;
- change in business name: draft amendment to the Articles of Association.
- All these changes must be submitted to the National Bank of Cambodia at months before their enforcement.

Banks shall pay a fee of KHR 1 million for a change of one page of the Association. Banks must pay a fee 1% of capital decrease.

Article 17

All provisions contrary to those of this Prakas are hereby repealed

Article 18

The General Director, the General Secretariat, the General Cashier, the General Inspection, all Departments of the NBC and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Phnom Penh, 10 January 2000

The Governor

Signed and Sealed: **Chea Chanto**

Annex I

MODEL LETTER OF APPLICATION FOR OBTAINING
A LICENSE (1) OR FOR NOTIFICATION (2) OR FOR AUTHORISATION (3)
To be sent to the Governor of the National Bank of Cambodia

Dear Sir,

In my capacity as .....(4)

I would like to apply to the National Bank of Cambodia for:

- obtaining or renewing a license for (company name) in the context of chapter IV of the Law on Banking and Financial Institutions.
- notification of change in shareholding distribution in the context of Article 23 of the Law on Banking and Financial Institutions.
- authorization of change of shareholding distribution in the context of Article 24 of the Law on Banking and Financial Institutions.

To this end, please find herewith an application set out in accordance with the provisions of Prakas No…….

Very truly yours,

Signature

_____

(1) in the case of requests for a license or for renewal of such a license.

(2) in the case of changes in the shareholding distribution referred to in Article 23 of the Law on Banking and Financial Institutions.

(3) in the case of changes in the shareholding distribution referred to in Article 24 of the Law on Banking and Financial Institutions.

(4) indicate the status of the signatory: chairman, manager, other corporate officer, expressly empowered agent (attach documentary proof of said capacity)

Annex II

MODEL LETTER

To be sent to the Governor of the National Bank of Cambodia

Dear Sir,

With a view to my appointment as a manager of (name of bank) where I will hold the position of (.....) please find herewith the information (including curriculum vitae and questionnaire provided for in Annex IV) requested under Article 6 of Prakas No…

I hereby certify that the information is complete and accurate and that, to the best of my knowledge there are no other material facts of which the National Bank of Cambodia should be informed. In particular, I certify that I am not subject to the prohibitions listed in Article 18 of the Law on Banking and Financial Institutions.

I undertake to inform the National Bank of Cambodia immediately of any change which would significantly alter the information provided.

I further undertake to ensure that the institution of which I am a manager will provide the National Bank of Cambodia with all regulatory information concerning its administrative and accounting organization, its financial condition, particularly regarding the quality of its loan portfolio, and the financial condition of its shareholders.

Very truly yours,

Signature

Annex III

MODEL LETTER

To be sent to the Governor of the National Bank of Cambodia by Capital Contributors Who Directly or Indirectly Hold 20 percent or more of the Capital or Voting Rights of a Bank.

Dear Sir,

In my capacity as (indicate the status of the signatory), please find herewith the information requested by the National Bank of Cambodia (Prakas No) with regard to the equity holding that (contributor's name) has taken or intends to take in (name of bank).

I hereby certify that this information is complete and accurate and that, to the best of my knowledge, there are no other material facts of which the National Bank of Cambodia should be informed.

I undertake to inform the National Bank of Cambodia immediately of any change which could significantly alter the information provided.

I have taken note of the provisions of Article 27 of the Law on Banking and Financial Institutions, pursuant to which the National Bank of Cambodia may, where the situation requires, enjoin the influential shareholders of a bank to provide such bank with the support it needs.

Very truly yours,

Signature

Annex IV

CURRICULUM VITAE

and

Questionnaire for individuals who are, or who propose to become,

Directors, Shareholders or Managers of a Bank

****

1. Family name:.....
2. Given name(s): ..... …..
3. Other name(s) by which you are or have been known: ……..…...

….....

.....

4.1. Please state in what capacity you are completing this form, i.e. as a current or prospective director, shareholder or manager or any combination thereof.

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4.2. Please describe the particular duties and responsibilities attaching to the position(s).

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4.3. In carrying out your duties, will you act in concert with or in accordance with the instructions of another individual or legal entity other than the applicant? In either event, give all relevant information.

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4.4. Indicate if you are a capital contributor to the applicant and if you intend to carry out, directly or through an intermediary, personal or professional transactions with the applicant.

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5. Your private address: ..... …

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6. Your previous private address(es) during the last 5 years:…….

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7. Your date (day/month/year) and place of birth (including district, town or city).

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8. Your nationality and how it was acquired (birth, naturalization, marriage).

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9. Name(s) and address(es) of your bankers within the last 5 years.

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10. Your academic degrees and/or professional qualifications and the place and year they were obtained.

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11.1 Your current occupation and employment and over the past 10 years, including the name and address of the employer in each case, the nature of the business, the position held and relevant dates.

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.....

11.2 Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) in a company other than the applicant. If so, state the name and activities of such companies and the amount of your shareholding or interest in them.

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11.3. Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, has or might soon have significant business relations with the applicant.

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12. Have you or any entity with which you are associated as a director, shareholder, or manager ever held or applied for a license or to carry on any business activity in any country? If so, if any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

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.....

13. Have you, or any entity with which you have been involved in the conduct of its affairs, been disciplined, and warned as to future conduct, publicly criticized, or the subject of an investigation by any regulatory authority or any professional body? If so, give particulars.

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14. Have you, in any country, been dismissed from any office or employment by your employer or barred from entry to any professional or occupation? If so, give particulars.

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15. Have you failed to satisfy any debt adjudged due and payable by you under an order of a court, or have you been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

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16. Have you, in connection with the management of any entity been adjudged by a court, in any country, to be legally liable for any fraud, or other misconduct by you toward such an entity or any of its members? If so, give particulars.

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17. Are you now, or do you other than in a professional capacity, expect to be, engaged in any litigation in any country? If so, give particulars.

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.....

18. Please supply an audited statement of personal net worth providing a breakdown of your assets and liabilities.

.....

.....

19. Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

.....

.....

20. Is there any additional information which you consider to be relevant for the consideration of your suitability for the position(s) listed in Question 4.1? The omission of material facts may constitute the provision of misleading information (see declaration below).

N.B. The information provided in response to this questionnaire shall be kept fully confidential by the supervisory authority, the National Bank of Cambodia, except in cases provided for by law.

DECLARATION

I am aware that it is an offense to knowingly or recklessly provide any false or misleading information in connection with an application for a banking license or a renewal of a banking license.

I certify that the information provided in response to the above questions are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware.

I undertake to inform the supervisory authority of any changes material to the application which arises while the supervisory authority is considering the application.

Name ……..

Position held ……...

Signed ……Date / /

Nº B7-00-05 Prokor

PRAKAS

ON

LICENSING OF RURAL CREDIT SPECIALIZED BANKS

****

As amended by the following Prakas: B7-06-208 dated September 13, 2006 on Amendment to Prakas on Licensing of Specialized Bank, B7-04-205 dated December 29, 2004 on License Fees for Banks and Financial Institutions, and B7-01-187 dated November 08, 2001 on Transfer of Shares of Banks and B7-08-193 dated September 19, 2008 on New Capital Requirement and Criteria For Licensing Approval of Banks.

Chapter I

General Provisions

Article 1

Specialized banks as defined in Chapter I of the Law on Banking and Financial Institutions and in accordance with Article 14 of this law must obtain a license from the National Bank of Cambodia (NBC) before starting business

Article 2

A licensed rural credit specialized bank shall only carry out banking operations which are specified by the terms of the decision granting the license.

Article 3

An applicant for a specialized bank's license shall take one of the legal forms provided for in Chapter III of the Law on Banking and Financial Institutions.

Article 4 *[Replaced by the Article 8 of Prakas: B7-08-193 dated September 19, 2008]*.

Chapter II

Procedure for Submitting a License Application

Article 5

The application for a license shall be drawn up by a duly authorized person (manager or person expressly empowered to such effect) and shall indicate the following:

(a) Name or business name of the institution.
(b) Registered address of the headquarters.
(c) Legal form and the Articles of Association or other founding instrument.
(d) Type of securities representing the capital, and connection between the holding of such securities and the exercise of voting rights.

(e) Amount of authorized and paid-in equity capital.
(f) Distribution of shares and voting rights, and possible agreements between shareholders acting in concert with a view to directing the policy of the institution.
(g) Capital contributors which will hold 5 percent or more of the voting rights must provide the information listed in article 6 below.
(h) Identity of at least two persons responsible for the effective direction of the specialized bank's business. These designated managers must fill in the curriculum vitae and questionnaire appended in Annex II and furnishes a copy of their police records.
(i) Identity of the members of the decision-making body. This information must be supplemented by curriculum vitae and a statement certifying that none of the individuals concerned is subject to the prohibitions set forth in Article 18 of the Law on Banking and Financial Institutions; the majority of the members should have at least three years of credit experience.
(j) If the legal entity for which the application is made has already been formed, provide a description of its business and certified copies of its audited balance sheets for operations in any of the previous three years.
(k) Description of the planned activity over the next three years:

- Nature and volume of the different types of lending liable to appear on the balance sheet, and other possible services offered to customers or members (for loans : nature, form, purpose, main terms and conditions, annual volume, and amount outstanding),

- Type of clients that the institution intends to seek,

- Nature of planned financial resources: own funds, subsidies, subordinated debt, deposits, borrowings etc. As appropriate, specify the nature and ownership of these resources in the event of any ambiguity (subordinated debt for example),

- Likely number of employees over the next three years and corresponding payroll, broken down by category of staff,

- Location of existing branches or planned branches,

- Planned organization and resources, especially as regards accounting procedures and computer system,

- Balance sheet and profit and loss account forecasts for the next three accounting periods. Forecast level of main prudential ratios (as defined by the NBC) at the end of the next three accounting periods.

(l) Audit procedures:

- Planned internal audit organization for application of provisions of Article 43 of the Law on Banking and Financial Institutions,
- Identity of proposed external auditors, nature of assignments given to external auditors.

Article 6

Capital contributors holding 5 percent or more of the capital or voting rights of the institution must provide the following information:

(a) Identity of the capital contributor. In the case of a legal entity, indicate the business name, legal form, address of the headquarters and furnish the Articles of Association. In the case of an individual, state his or her full name, date and place of birth, nationality and domicile. Indicate whether this person is to be appointed one of the managers of the institution. State whether the capital contributor is to be represented on the institution's board of directors; if so, ensure that this representative is not subject to the prohibitions set forth in Article 18 of the Law on Banking and Financial Institutions.

(b) Indicate the amount and percentage of the proposed participation and its equivalent in voting rights. Describe in detail the legal and financial arrangements for the acquisition of the securities. State whether the transaction is subject to particular formalities in respect of regulations such as those applicable to foreign direct investment in Cambodia and whether such formalities have been complied with.

(c) Describe the activities of the capital contributor. If the capital contributor is part of a group, provide a description of the main entities of said group together with an organization chart. Indicate whether the capital contributor has significant equity holding in other credit institutions. Indicate whether the group to which the capital contributor itself belongs has significant equity holdings in credit institutions. If so, list such interests.

(d) State whether the capital contributor and the companies possibly associated with it carry on a financial activity. If so, indicate the regulations and the authorities to which they are subject in this respect.

(e) Indicate the internal and external audit procedures of the capital contributor.

(f) Indicate whether, over the preceding ten years the capital contributor has been the subject of an investigation or of a professional, administrative, or judicial proceeding of a material nature.

(g) State the capital contributor's objectives for the acquisition of an equity holding in the institution. Give all relevant information.

(h) Indicate whether there is significant business between the capital contributor and the institution and how these relations are likely to develop in the future.

(i) Indicate the main banking relations of the capital contributor in Cambodia and how long these relations have existed.

Article 7

A capital contributor which will directly or indirectly hold at least 20 percent of the capital or the voting rights shall be considered as an influential shareholder in accordance with the provisions of Article 26 of the Law on Banking and Financial Institutions. Influential shareholders might be enjoined by the National Bank of Cambodia to increase the net worth of the institution under the conditions described in Article 27 of the Law on Banking and Financial Institutions. For that purpose, a letter in accordance with the model set forth in annex I must be sent to the Governor of the National Bank of Cambodia.

Such a provision will only be removed once a deposit insurance scheme (or other customer deposit guarantee) is set up in Cambodia.

Moreover, in accordance with the provisions of article 40 of the Law on Banking and Financial Institutions, the National Bank of Cambodia will be able to grant a written waiver from the provisions of Article 7 at the time of the license approval.

Chapter III

License Approval and Related Fee

Article 8

The National Bank of Cambodia shall provide written notification of its decision within 3 months from the receipt of application. Where appropriate, the approval shall set out the specific conditions laid down by the National Bank of Cambodia for its entry into force and the timetable for the project. If the project has not been completed upon expiry of the deadline and if no extension has been requested, the approval becomes void.

Article 9 *[as amended by Prakas B7- 06-208 dated December 29, 2006]*

An indefinite license shall be provided by the National Bank of Cambodia to all specialized banks operating in the Kingdom of Cambodia.

Article 10 The institution shall pay a fee of KHR 500,000 upon submission of the application for license.

Article 11

The annual license fee shall be paid before January 15 as follows:

- *[partly repealed by Prakas B7-04-205 dated December 29, 2004, that established new license fees]*.

For institutions established during year, the license fee shall be calculated on a pro rata basis for the remaining period to the year's end. In the event of late payment of license fee, the institutions concerned shall be fined by paying interest on the overdue payment at the existing refinancing interest rate for a period up to 30 days. If they are not in order after this period, their license shall be revoked.

Chapter IV

Prudential Rules

Article 12

Applicants with no operating history must pay up 100 percent of registered capital into an account open with the NBC prior to commencement of operations.

Article 13 *[as amended by Prakas B7-06-208 dated September 13, 2006]*.

A licensed specialized bank shall maintain an amount equal to five (5) percent of its registered capital in a permanent account with the National Bank of Cambodia, and be subject to the following conditions:

A. Deposits in Riel will bear interest at 1/2 of the refinancing rate set by the National Bank of Cambodia. The interest payment shall be settled semi-annually.
B. Deposits in foreign currency will bear interest at 3/8 SIBOR. The interest payment shall be settled semi-annually. The National Bank of Cambodia will notify all Specialized Banks of the applicable rate for the relevant period.

The National Bank of Cambodia will only reimburse the capital deposit to a licensed Specialized Bank if it voluntarily liquidates and has no deposit liabilities.

Article 14

A licensed specialized bank shall deposit 5 percent of its deposits into its account maintained with the National Bank of Cambodia. This reserve requirement shall be maintained under the conditions set forth in Regulation on reserve requirement.

Article 15

A licensed specialized bank shall observe all the regulatory requirements to which banks are subject, particularly the reporting requirements.

Chapter V

Other Provisions

Article 16 and 17 *[Repealed by Prakas B7-01-187 dated November 08, 2001].*

Article 18

In the event of the appointment of new managers (namely the two persons responsible for the effective direction of the specialized bank's business) following information must be furnished to the National Bank of Cambodia:

- A document providing proof of such appointment (board meeting minutes for example);
- Curriculum vitae and questionnaire appended in Annex II.

All these documents must be furnished at least one month before the person concerned takes up his position.

Article 19

Other changes in the legal or financial status of a specialized bank must be submitted to the National Bank of Cambodia for approval. Application materials should be accompanied by a description of the reasons for the planned operation and, as applicable, by the following information:

- extension or redefinition of activity: the information referred to in paragraph k of Article 5 of this Prakas must be furnished;
- capital reduction : description of terms and conditions, namely legal and accounting arrangements and indication of the new amount of own funds with

possible effects on future business and prudential ratios;
- change in legal form : draft amendments to the Articles of Association and information concerning management bodies;
- change in business name: draft amendment to Articles of Association.

All these changes must be submitted to the National Bank of Cambodia at least three months before their enforcement.

Banks shall pay a fee of KHR 1 million for a change of one page of the Article of Association. Banks shall pay fee 1% on the capital decrease.

Article 20

All provisions contrary to those of this Prakas are hereby repealed.

Article 21

The General Director, the General Secretariat, the General Cashier, the General Inspection, all Departments of the NBC and all specialized banks under the NBC's supervisory authority shall strictly implement this Prakas.

Article 22

This Prakas shall have effect from this signing date.

Phnom Penh, 11 January 2000

The Governor

Signed and Sealed: **Chea Chanto**

Annex I

MODEL LETTER

To be sent to the Governor of the National Bank of Cambodia by Capital Contributors Who Directly or Indirectly Hold 20 percent or more of the Capital or the Voting Rights of a Specialized Bank.

Dear Sir,

In my capacity as (give the status of the signatory), please find herewith the information requested by the National Bank of Cambodia (Prakas No) with regard to the equity holding that (contributor's name) has taken or intends to take in (name of the specialized bank).

I hereby certify that this information is complete and accurate and that, to the best of my knowledge, there are no other material facts of which the National Bank of Cambodia should be informed.

I undertake to inform the National Bank of Cambodia immediately of any change which would significantly alter the information provided.

I have taken note of the provisions of Article 7 of the Prakas on licensing of specialized banks, pursuant to which the National Bank of Cambodia may, where the situation requires, enjoin the influential shareholders of a specialized bank to provide such a specialized bank with the support it needs.

Very truly yours,

Signature

Annex II

CURRICULUM VITAE
and
Questionnaire for individuals who are, or who propose to become,
Managers of a specialized bank

****

1. Family name:.....
2. Given name(s): ..... …..
3. Other name(s) by which you are or have been known: ……..…...

….....

.....

4.1. Please describe the particular duties and responsibilities attaching to your position.

.....

.....

4.2. Indicate if you are a capital contributor to the applicant and if you intend to carry out, directly or through an intermediary, personal or professional transactions with the applicant.

.....

.....

5. Your private address: ..... ….

.....

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6. Your previous private address(es) during the last 5 years:…….

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7. Your date (day/month/year) and place of birth (including district, town or city).

.....

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8. Your nationality and how it was acquired (birth, naturalization, marriage).

.....

.....

9. Name(s) and address(es) of your bankers within the last 5 years.

.....

.....

10. Your academic degrees and/or professional qualifications and the place and year they were obtained.

.....

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.....

11.1 Your current occupation and employment and over the past 10 years, including the name and address of the employer in each case, the nature of the business, the position held and relevant dates.

.....

.....

.....

11.2 Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) in a company other than the applicant. If so, state the name and activities of such companies and the amount of your shareholding or interest in them.

.....

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.....

11.3. Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, has or might soon have significant business relations with the applicant.

.....

.....

.....

12. Have you or any entity with which you are associated as a director, shareholder, or manager ever held or applied for a license or to carry on any business activity in any country? If so, if any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

.....

.....

.....

13. Have you, or any entity with which you have been involved in the conduct of its affairs, been disciplined, and warned as to future conduct, publicly criticized, or the subject of an investigation by any regulatory authority or any professional body? If so, give particulars.

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14. Have you, in any country, been dismissed from any office or employment by your employer or barred from entry to any professional or occupation? If so, give particulars.

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15. Have you failed to satisfy any debt adjudged due and payable by you under an order of a court, or have you been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

.....

.....

16. Have you, in connection with the management of any entity been adjudged by a court, in any country, to be legally liable for any fraud, or other misconduct by you toward such an entity or any of its members? If so, give particulars.

.....

.....

17. Are you now, or do you other than in a professional capacity, expect to be, engaged in any litigation in any country? If so, give particulars.

.....

.....

18. Please supply an audited statement of personal net worth providing a breakdown of your assets and liabilities.

.....

.....

19. Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

.....

.....

20. Is there any additional information which you consider to be relevant for the consideration of your suitability for the position of manager? The omission of material facts may present the provision of misleading information (see declaration below).

N.B. The information provided in response to this questionnaire shall be kept fully confidential by the supervisory authority, the National Bank of Cambodia, except in cases provided for by law.

DECLARATION

I am aware that it is an offense to knowingly or recklessly provide any false or misleading information in connection with an application for a banking license or a renewal of a banking license.

I certify that the information provided in response to the above questions are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware.

I undertake to inform the supervisory authority of any changes material to the application which arises while the supervisory authority is considering the application.

Name ……..

Position held ……...

Signed ……Date / /

No. B-7-00-06 Prokor

PRAKAS

ON

THE LICENSING OF MICROFINANCE INSTITUTIONS

****

As amended by the following Prakas B7-07-133 dated August 27, 2007 on Microfinance Institutions' Solvency Ratio, B7-06-209 dated September 13, 2006 on Amendment to of Prakas on Licensing of Microfinance Institutions, and B7-02-49 dated February 25, 2002 on Registration and Licensed of Micro Finance Institutions.

Chapter I

General Provisions

Article 1 *[Repealed by Prakas B7-02-49 dated February 25, 2002].*

Article 2

A licensed MFI shall only conduct banking operations as defined in Article 2 of the Law on Banking and Financial Institutions. Credit services and savings shall be deemed to be permitted there under, unless prohibited by this Prakas or the terms of the decision granting the MFI license.

All MFIs, nongovernmental organizations, and associations, whether licensed or registered, shall be excluded from:

(a) Leasing, derivatives and dealing in gold, precious metals, raw materials and commodities, whether spot and forward.
(b) Providing payment services through checking accounts or swap or forward dealings in foreign currencies.

Article 3

An applicant for an MFI license shall be incorporated as a limited liability company or a cooperative.

Article 4

A licensed MFI shall have a minimum registered capital of KHR 250 million.

Chapter II

Procedure for Submitting a License Application

Article 5

The application for a license shall be drawn up by a duly authorized person (manager or person expressly empowered to such effect) and shall indicate the following:

(a) Name or business name of the institution.
(b) Registered address of the headquarters.
(c) Legal form and the Articles of Association or other founding instrument.
(d) Type of securities representing the capital, and connection between the holding of such securities and the exercise of voting rights.
(e) Amount of authorized and paid-in equity capital.
(f) Distribution of shares and voting rights, and possible agreements between shareholders acting in concert with a view to directing the policy of the institution.
(g) Capital contributors which will hold 5 percent or more of the voting rights must provide the information listed in Article 6 below.
(h) Identity of at least two persons responsible for the effective direction of the MFI's business.
(i) Identity of the members of the decision-making body. This information must be supplemented by a curriculum vitae and a statement certifying that none of the individuals concerned is subject to the prohibitions set forth in Article 18 of the Law on Banking and Financial Institutions.
(j) If the legal entity for which the application is made has already been formed, provide a description of its business and certified copies of its audited balance sheets for operations in any of the previous three years.
(k) Description of the planned activity over the next three years:

- Nature and volume of the different types of lending liable to appear on the balance sheet, and other possible services offered to customers or members (for loans : nature, form, purpose, main terms and conditions, annual volume, and amount outstanding),
- Type of clients that the institution intends to seek,
- Nature of planned financial resources: own funds, subsidies, subordinated debt, deposits, borrowings, etc... As appropriate, specify the nature and ownership of these resources in the event of any ambiguity (subordinated debt for example),
- Likely number of employees over the next three years and corresponding payroll, broken down by category of staff,
- Location of existing branches or planned branches,
- Planned organization and resources, especially as regards accounting procedures and computer system,
- Balance sheet and profit and loss account forecasts for the next three accounting periods. Forecast level of main prudential ratios (as defined by the NBC) at the end of the next three accounting periods.

(l) Audit procedures:

- Planned internal audit organization for application of provisions of Article 43 of the Law on Banking and Financial Institutions,
- Identity of proposed external auditors; nature of assignments given to external auditors.

Article 6

Capital contributors holding 5 percent or more of the capital or voting rights of the institution must provide the following information:

(a) Identity of the capital contributor. In the case of a legal entity, indicate the business name, legal form, and address of the headquarters and furnish the Articles of Association. In the case of an individual, state his or her full name, date and place of birth, nationality and domicile. Indicate whether this person is to be appointed one of the managers of the institution. State whether the capital contributor is to be represented on the institution's board of directors; if so, ensure that this representative is not subject to the prohibitions laid down in Article 18 of the Law on Banking and Financial Institutions.
(b) Indicate the amount and percentage of the proposed participation and its equivalent in voting rights. Describe in detail the legal and financial arrangements for the acquisition of the securities. State whether the transaction is subject to particular formalities in respect of regulations such as those applicable to foreign direct investment in Cambodia and whether such formalities have been complied with.
(c) Describe the activities of the capital contributor. If the capital contributor is part of a group, provide a description of the main entities of said group together with an organization chart. Indicate whether the capital contributor has significant equity holdings in other credit institutions. Indicate whether the group to which the capital contributor itself belongs has significant equity holdings in credit institutions. If so, list such interests.
(d) State whether the capital contributor and the companies possibly associated with it carry on a financial activity. If so, indicate the regulations and the authorities to which they are subject in this respect.
(e) Indicate the internal and external audit procedures of the capital contributor.
(f) Indicate whether, over the preceding ten years, the capital contributor has been the subject of an investigation or of a professional, administrative, or judicial proceeding of a material nature.
(g) State the capital contributor's objectives for the acquisition of an equity holding in the institution. Give all relevant information.
(h) Indicate whether there is significant business between the capital contributor and the institution and how these relations are likely to develop in the future.
(i) Indicate the main banking relations of the capital contributor in Cambodia and how long these relations have existed.

Article 7

A capital contributor which will directly or indirectly hold at least 20 percent of the capital or voting rights shall be considered as an influential shareholder in accordance with the provisions of Article 26 of the Law on Banking and Financial Institutions. Influential shareholders might be enjoined by the National Bank of Cambodia to increase the net worth of the institution under the conditions described in Article 27 of the Law on Banking and Financial Institutions. For that purpose, a letter in accordance with the model set forth in Annex I must be sent to the Governor of the National Bank of Cambodia.

Such a provision will only be removed once a deposit insurance scheme (or other customer deposit guarantee) is set up in Cambodia.

Moreover, in accordance with the provisions of Article 40 of the Law on Banking and Financial Institutions, the National Bank of Cambodia will be able to grant a written waiver from the provisions of Article 7 at the time of the license approval.

Chapter III
License Approval and Related Fee

Article 8

The National Bank of Cambodia shall provide written notification of its decision within 6 months from the receipt of application. Where appropriate, the approval shall set out the specific conditions laid down by the National Bank of Cambodia for its entry into force and the timetable for the project. If the project has not been completed upon expiry of the deadline, the approval becomes void, except if an extension has been requested and taken into consideration by the National Bank of Cambodia.

Article 9 *[As amended by Prakas B 7-06-209 dated September 13, 2006]*.

An indefinite license shall be provided by the National Bank of Cambodia to all microfinance Institutions operating in the Kingdom of Cambodia.

Article 10

The institutions shall pay a fee of KHR 50,000 upon submission of the application for a license.

Article 11 *[Confirmed by Prakas B 7-04-205 dated December 29, 2004]*.

An institution shall pay an annual license fee of KHR 1 million before January 15 of each year. For institutions established during year, the license fee shall be calculated on a pro rata basis for the period remaining to the year's end. In the event of late payment of license fee, the institutions concerned shall be fined by paying interest on the overdue payment at the existing refinancing interest rate for a period up to 30 days. If they are not in order after this period, their license shall be revoked.

Chapter IV
Prudential Rules

Article 12

Applicants or registrants with no operating history must pay up 100 percent of registered capital into an account open with the NBC prior to commencement of operations.

Article 13 *[As amended by Prakas B7-06-209 dated September 13, 2006]*

A licensed Microfinance Institution shall maintain an amount equal to five (5) percent of its registered capital in a permanent account with the National Bank of Cambodia, and be subject to the following conditions:

A. Deposits in Riel will bear interest at 1/2 of refinancing rate set by the National Bank of Cambodia. The interest payment shall be settled semi-annually.

B. Deposits in foreign currency will bear interest at 3/8 SIBOR. The interest payment shall be settled semi-annually. The National Bank of Cambodia will notify all institutions of the applicable rate for the relevant period.

The National Bank of Cambodia will only reimburse the capital deposit to a licensed microfinance Institution if it voluntarily liquidates and has no deposit liabilities.

Article 14

A licensed MFI shall deposit 5 percent of its deposits into its account maintained with the National Bank of Cambodia. This reserve requirement shall be maintained under the conditions set forth in Regulation on reserve requirement.

Article 15 *[Repealed by Prakas B7-07-133 dated August 27, 2007]*.

Article 16

A licensed MFI shall maintain a liquidity ratio of at least 100 percent. This liquidity ratio shall be computed as follows:

Numerator: cash in hand, plus deposits with the NBC, plus deposits with banks, minus the amount owed to the NBC and banks (net liquidity), plus the portion of lending with not more than one month to run (excluding loans to customers with no specified maturity),

Denominator: a percentage of the time deposits due within the next month, plus a percentage of current accounts and of savings accounts. These percentages will be specified by Prakas.

Article 17

A licensed MFI shall be in compliance with regulatory requirements concerning classification of the loan portfolio and the related level of loan loss provisioning.

Article 18

Loan commitment aggregate to an individual borrower or to a group of borrowers constituting a single beneficiary because of connections among themselves shall not exceed 10 percent of an institution's net worth.

Chapter V
Other Provisions

Article 19

All provisions contrary to those of this Prakas are hereby repealed.

Article 20

The General Direction, the General Inspection, the Cabinet and all Departments of the National Bank of Cambodia, and all institutions shall strictly implement this Prakas.

Article 21

This Prakas shall have effect from this signing date.

Phnom Penh, 11 January 2000

The Governor

Signed and Sealed: **Chea Chanto**

Annex I

MODEL LETTER

To be sent to the Governor of the National Bank of Cambodia by Capital Contributors Who Directly or Indirectly Hold 20 Percent or More of the Capital or Voting Rights of an Institution.

In my capacity as (indicate the status of the signatory), please find herewith the information requested by the National Bank of Cambodia (Prakas No) with regard to the equity holding that (contributor's name) intends to take in (name of institution).

I hereby certify that this information is complete and accurate and that, to the best of my knowledge there are no other material facts of which the National Bank of Cambodia should be informed.

I undertake to inform the National Bank of Cambodia immediately of any change which would significantly alter the information provided.

I have taken note of the provisions of Article 7 of the Prakas on licensing of micro-financing institutions, pursuant to which the National Bank of Cambodia may, where the situation requires, enjoin the influential shareholders of an institution to provide such institution with the support it needs.

Annex II

CURRICULUM VITAE AND QUESTIONAIRES

for Individuals Who are, or Who Propose to become, Managers of a Micro-finance Institution

******

1. Family name:.....
2. Given name(s): ..... …..
3. Other name(s) by which you are or have been known: ……..…...

   ….....

   .....

4.1. Please describe the particular duties and responsibilities attaching to your position.

.....

.....

4.2. Indicate if you are a capital contributor to the applicant and if you intend to carry out, directly or through an intermediary, personal or professional transactions with the applicant.

.....

.....

5. Your private address: ..... ….

   .....

6. Your previous private address(es) during the last 5 years:…….

   .....

   .....

7. Your date (day/month/year) and place of birth (including district, town or city).

   .....

   .....

8. Your nationality and how it was acquired (birth, naturalization, marriage).

   .....

   .....

9. Name(s) and address(es) of your bankers within the last 5 years.

   .....

   .....

10. Your academic degrees and/or professional qualifications and the place and year they were obtained.

.....

.....

.....

11.1 Your current occupation and employment and over the past 10 years, including the name and address of the employer in each case, the nature of the business, the position held and relevant dates.

.....

.....

.....

11.2 Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) in a company other than the applicant. If so, state the name and activities of such companies and the amount of your shareholding or interest in them.

.....

.....

.....

11.3. Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, has or might soon have significant business relations with the applicant.

.....

.....

.....

12. Have you or any entity with which you are associated as a director, shareholder, or manager ever held or applied for a license or to carry on any business activity in any country? If so, if any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

.....

.....

.....

13. Have you, or any entity with which you have been involved in the conduct of its affairs, been disciplined, and warned as to future conduct, publicly criticized, or the subject of an investigation by any regulatory authority or any professional body? If so, give particulars.

.....

.....

.....

14. Have you, in any country, been dismissed from any office or employment by your employer or barred from entry to any professional or occupation? If so, give particulars.

.....

.....

.....

15. Have you failed to satisfy any debt adjudged due and payable by you under an order of a court, or have you been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

.....

.....

16. Have you, in connection with the management of any entity been adjudged by a court, in any country, to be legally liable for any fraud, or other misconduct by you toward such an entity or any of its members? If so, give particulars.

.....

.....

17. Are you now, or do you other than in a professional capacity, expect to be, engaged in any litigation in any country? If so, give particulars.

.....

.....

18. Please supply an audited statement of personal net worth providing a breakdown of your assets and liabilities.

.....

.....

19. Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

.....

.....

20. Is there any additional information which you consider to be relevant for the consideration of your suitability for the position for the position listed in Question 4.1? The omission of material facts may constitute the provision of misleading information (see declaration below).

N.B. The information provided in response to this questionnaire shall be kept fully confidential by the supervisory authority, the National Bank of Cambodia, except in cases provided for by law.

DECLARATION

I am aware that it is an offense to knowingly or recklessly provide any false or misleading information in connection with an application for a banking license or a renewal of a banking license.

I certify that the information provided in response to the above questions are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware.

I undertake to inform the supervisory authority of any changes material to the application which arises while the supervisory authority is considering the application.

Name ……..

Position held ……...

Signed ……Date / /

Nº B-7-02-49 Prokor

PRAKAS

ON

REGISTRATION AND LICENSING OF MICROFINANCE INSTITUTIONS

****

Article 1

Article 1 of Prakas No B 7-00-06 Prokor of January 11, 2000 on Licensing of Micro finance Institutions, is hereby repealed and replaced by the present Prakas.

Article 2

Micro-finance is defined as follows:

"The delivery of financial services such as loans and deposits, to the poor and low-income households, and to micro-enterprises"

Article 3

Registration with the National Bank of Cambodia is compulsory for all non-government organizations (NGOs), associations and other entities engaged in micro-finance, if they meet one of the following conditions:

a) For those engaged in credit:
   - Their loan portfolio outstanding is equal to or greater than KHR 100 million

b) For those engaged in savings mobilization
   - The savings mobilized from the general public amount to KHR 1 million or more, or
   - The number of their depositors is 100 or more.

Article 4

Registered micro finance operators must comply with existing laws and regulations and meet the standard and criteria set by the National Bank of Cambodia in terms of good governance, transparency, and competence and honest management.

Article 5

The National Bank of Cambodia shall deliver a certificate of registration to micro finance operators that presents official request for registration, meets the set standards and criteria, and submits the required information and documents. This certificate can be withdrawn and the registration cancelled if the operators do not comply with conditions set by the NBC.

Article 6

Micro finance operators that is denied registration by the NBC, or whose registration is cancelled by the National Bank of Cambodia, shall cease all micro-finance activity within three months of being informed of the NBC's decision.

Article 7

Registered micro finance operators shall provide regular reports on their activities and organization, as and when required by the National Bank of Cambodia.

Article 8

Licensing is compulsory for all micro-finance institutions, if they meet one of the following conditions:

a) For those engaged in credit:

- Their loan portfolio outstanding is equal to or greater than KHR 1,000 million, OR
- They have 1,000 borrowers or more

b) For those engaged in savings mobilization:

- The savings mobilized from the general public amount to KHR 100 million or more, OR
- The number of their depositors is 1,000 or more.

Article 9

Micro finance institution are subject to compulsory licensing shall be prepare an application for a license to be submitted to the National Bank of Cambodia have until 31 December 2002. Otherwise they will have to scale down their volume of activity and operate as a registered micro-finance institution, as provided for in Articles 3 to 7 above.

Article 10

Violations to the provisions of this Prakas may give rise to disciplinary sanctions as set forth in Article 52 of the *Law on Banking and Financial Institutions.*

Article 11

The General Direction, the General Secretariat, the General inspection, the General Cashier and all departments of the National Bank of Cambodia, and all Micro Financial Institutions under of the National Bank of Cambodia supervisory authority shall strictly implement this Prakas.

Article 12

This Prakas shall have effect from the signing date.

Phnom Penh, 25 February 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-06-209 Prokor

PRAKAS

ON

AMENDMENT TO PRAKAS ON LICENSING

OF MICROFINANCE INSTITUTIONS

****

Article 1

Amendment to Article 9 and article 13 of Prakas No.B7.00-06 on the Licensing of Micro-Finance Institutions on January11, 2000, as follows:

[See new article 9 and 13 of Prakas B 7-00-0 6 dated January 11, 2000].

Article 2

A fee of KHR 10,000 shall be applied to Microfinance Institutions for each page of the Article of Association amended.

Article 3

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 4

This Prakas shall have effect from the signing date.

Phnom Penh, 13 September 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-07-163 Prokor

PRAKAS

ON

LICENSING OF MICROFINANCE DEPOSIT TAKING INSTITUTIONS

****

Article 1

Issuing a license to licensed microfinance institutions, hereby referred to as "Institution", to collect deposits from the public.

Article 2

An Institution requesting a license to collect deposits from the public shall have the following qualifications:

1- hold a license to carry out microfinance operations from the National Bank of Cambodia for a duration of no less than three (3) years;
2- have a good financial condition and sound management as judged by the internal rating of the National Bank of Cambodia, at a safety level for at least two years before submitting the application;
3- have a minimum paid up capital equal to 10,000 million riels;
4- have an effective Management Information System (MIS);
5- implement NBC's uniform chart of accounts; and
6- have sustainable profitability of at least two consecutive years in primary operations.

Article 3

After receiving a license to collect deposits from the National Bank of Cambodia, the Institution shall meet the following requirements:

1- Institution can only collect saving and fixed deposits; the amount of savings of an individual client shall not exceed 3 percent of Institution's net worth;
2- Institution cannot lend to an individual client at a rate exceeding 2 percent, nor to a group of related clients at a rate exceeding 3 percent of Institution's net worth;
3- Institution shall maintain at all times a solvency ratio of no less than 15 percent of the Institution's net worth;
4- Institution shall have a liquidity ratio of at least 50 percent;
5- Institution shall permanently deposit the capital guarantee of at least 10 percent of its registered capital into an account maintained with the NBC; and
6- Institution shall deposit the reserve requirement of at least 8 percent of its client deposits into an account maintained with the National Bank of Cambodia.

Article 4

Institutions that want to collect deposits from the public shall apply to the National Bank of Cambodia for a separate license to complement their existing license for collecting deposits from the public. Based on the qualifications mentioned in Article 2 of this Prakas, the National Bank of Cambodia will make the judgment on issuing a license to collect deposits from the public. The License to collect deposits shall be disclosed to the public at all times in tandem with the existing license.

Article 5

Any Institution not having a license to collect deposits, and any other microfinance operators, are not allowed to collect deposits from the public.

Article 6

Institutions and other microfinance operators that are not in compliance with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 7

Second sentence of an Article 2 of Prakas B700-06 dated January 11, 2000, on the Licensing of microfinance institutions that permitting microfinance institutions to provide saving service is hereby repealed; and any other contents in the same Article remain valid.

Article 8

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 9

This Prakas shall take effect from this signing date.

Phnom Penh, 13 December 2007

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-01-136 Prokor

PRAKAS

ON

BANK'S CAPITAL GUARANTEE

****

As amended by the following Prakas: B5-09-011 dated January 19, 2009 on the Determination of interest rate on Fixed Deposit, Reserve Requirement and Capital Guarantee in USD, B7-08-193 dated September 19, 2008 on New Capital Requirement and Criteria for Licensing Approval of Banks.

Article 1

The percentage of minimum capital that shall be permanently deposited with the National Bank of Cambodia, as per article 16 of the Law on Banking and Financial Institutions, amounts to 10%.

Article 2

[Expired]

Article 3

[Replaced by B7-08-193 dated September 19, 2008].

Banks, which obtained a license or principal letter before this Prakas is issued, shall increase their capital equal to the minimum capital as defined in Article 7 and Article 8 of this Prakas no later than the end of 2010.

Article 4

The deposit can be made either in Riels or in US dollars. There shall be no possibility to change this option after the deposit has been made. The rate of exchange used for calculation of the deposit, if required, will be the official rates on the day funds are credited into the account with NBC.

Article 5

Deposits in Riels will bear interest at 1/2, six-month period of refinancing rate set by the National Bank of Cambodia.

[Replaced by B5-09-011 dated January 19, 2009].

Interest rate on Capital Guarantee is given ¼ of SIBOR on 6 month basis.

Article 6

Deposits will be repaid only in case of liquidation and according to the priority order set by article 64 of the Law on Banking and Financial Institutions.

Article 7

All provisions contrary to those of this Prakas are hereby repealed.

Article 8

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Departments of the NBC, and all Banking and Financial Institutions under the NBC's supervisory authority shall implement this Prakas.

Article 9

This Prakas shall have effect from the signing date

Phnom Penh, 15 October 2001

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-04-205 Prokor

PRAKAS
ON
LICENSE FEES FOR BANKS AND FINANCIAL INSTITUTIONS

****

Article 1:

To set fees for licenses of Banks and Financial Institutions, and the Representative Offices of the foreign banks in the following articles.

Article 2:

Banks and Financial Institutions, and the Representative Offices of foreign banks shall pay annual license fees to the National Bank of Cambodia as follows:

A- Commercial Banks:

1-	Head office	: KHR 70 million
2-	From 1-7 provincial and city branches	: KHR 56 million each
3-	From the eighth provincial and city branch upwards	: KHR 20 million
4-	Branches in districts	: 1 million each

B- Specialized Banks:

5-	Head office	: KHR 10 million
6-	From 1-7 provincial and city branches	: KHR 8 million
7-	From the eighth branch upwards	: KHR 5 million

C- Head office of licensed MFIs : KHR 1 million
D- Representative offices : KHR 70 million

Article 3:

Banks and Financial Institutions, and the Representative Offices of the foreign bank established during the year, shall pay license fees as follows:

- In the first quarter **:** license fee in full

- In the second quarter : ¾ of license fee

- In the third quarter : half of license fee

- In the fourth quarter : ¼ of license fee

Article 4:

The Direction General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions, and the Representative Offices of foreign banks under the National Banks of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 5:

Other previous provisions contrary to this Prakas are hereby repealed.

Article 6:

This Prakas shall have effect from the signing date.

Phnom Penh, 29 December 2004

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-09-012 Prokor

PRAKAS

ON

LICENSE FEES FOR MICROFINANCE DEPOSIT TAKING INSTITUTIONS

****

Article 1

To set fee for licenses of Micro Financial Institutions, takes business to collect deposits from public.

Article 2

Microfinance Deposits Taking Institutions shall pay annual license fees to the NBC as follows:

1- Head office	: KHR 5,000,000
2- Branches	: KHR 1,500,000 each

Article 3

Microfinance Deposits Taking Institutions, where Head Offices or Branches were established during the year, shall pay license fees as follows:

- In the first quarter	: license fee in full
- In the second quarter	: ¾ of license fee
- In the third quarter	:half of license fee
- In the fourth quarter	: ¼ of license fee

Article 4

Microfinance Deposit Taking Institutions shall pay a fee of KHR 500,000 upon submission of the application for a license.

Article 5

The Directorate General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the NBC, and all Banking and Financial Institutions, under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall have effect from the signing date.

Phnom Penh, 20 January 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-01-187 Prokor

PRAKAS

ON

TRANSFER OF SHARES OF BANKS

****

Article 1

The transfer of shares of Banks is subject to the present Prakas.

Article 2

Prior authorization of the National Bank of Cambodia is requested for any transfer enabling any shareholder or group of shareholders to acquire or lose a half, a third, a fifth or a tenth of their voting rights in the bank.

Article 3

Prior authorization of the National Bank of Cambodia is requested for any transfer which results in changing the power of control over the management of the bank.

Article 4

Prior notification to the National Bank of Cambodia is requested for any transfer of shares resulting in an increase or decrease equal or superior to 5% and inferior to 10% of the voting rights possessed by any shareholder of the bank.

Article 5

Banks shall answer any request from the National Bank of Cambodia for specific information on the existing or future shareholders.

Article 6

Failure to notify or ask authorization to NBC under the present Prakas will result in depriving the transferred shares of any voting right at the general meeting of shareholders.

Article 7

Branches of foreign banks licensed in Cambodia will keep the National Bank of Cambodia informed of any significant change in the composition of shareholders of their parent company. A change is considered as significant as soon as it requests authorization from the supervisory authority of the home country.

Article 8

Any transfer of shares of a locally incorporated bank or financial institution is subject to a fee amounting to 0.5% of the face value of the transferred shares. This fee will be paid to NBC no later than the day of transfer.

Article 9

Failure to comply with any of the provisions included in the present Prakas will make the bank subject to sanctions and penalties mentioned in article 52 of the Law on Banks and Financial Institutions.

Article 10

Notification or request for authorization will be made using a format set by circular the National Bank of Cambodia

Article 11

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 12

This Prakas shall have effect from the signing date.

Phnom Penh, 08 November 2001

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-010-001 CL

CIRCULAR

ON

INVESTMENT GRADE

******

To strictly implement the Law on Banking and Financial Institutions promulgated by the Royal Kram NS/RKM/1199/13 of November 18,1999 and the Prakas B7-08-193 Prokor adopted on September 19, 2008 on the New Capital Requirement and Criteria for Licensing Approval of Banks in commensurate with the development of banking and financial system, the National Bank of Cambodia advises on the investment grade of the influential shareholders which are the banking and financial institutions and on the relevant obligations of the banking institutions which obtained operating license in the Kingdom of Cambodia as the following:

1- Influential shareholders shall obtain investment grade from at least one of the three international rating agencies namely Moody's Asia Pacific, Standard & Poor's Corporation, and Fitch. This rating refers to long-term rating in each of the category below:

Moody's Asia Pacific	Standard & Poor's Corporation	Fitch	Grade
Long Term Rating	Long Term Rating	Long Term Rating	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper Medium Grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	

2- Commercial banks which have at least one influential shareholder as a banking or financial institution with a rating "investment grade" extended by international rating agency, shall have minimum capital requirement equal to at least KHR 50,000,000,000 (fifty billion). Commercial banks without investment grade rating of influential shareholders shall have a minimum capital requirement of at least KHR 150,000,000,000 (one hundred fifty billion). Commercial banks that want to establish subsidiary shall have a minimum capital requirement of at least KHR 150,000,000,000 (one hundred fifty billion) regardless rating investment grade rating of influential shareholders.

3- Specialized banks which have at least one influential shareholders as a banking or financial institution with a rating "investment grade" extended by an international rating agency, shall have minimum capital requirement equal to at least KHR 10,000,000,000 (ten billion). Specialized banks without investment grade rating of influential shareholders shall have a minimum capital requirement of at least KHR 30,000,000,000 (thirty billion). Specialized banks that want to establish subsidiary shall have minimum capital requirement of at least KHR 30,000,000,000 (thirty billion) regardless rating investment grade of influential shareholders.

4- All banking institutions shall provide their influential shareholder's confirmation of rating issued by one of the three international rating agencies to the National Bank of Cambodia timely and regularly at the beginning of each semester. In addition, all banking institutions shall immediately report to the National Bank of Cambodia if the international rating agency downgrades the influential shareholder's rating to any sub-investment grade.

5- Influential shareholder should issue its guarantee letter to increase paid-up capital when its rating is downgraded to any sub-investment grade or when the National Bank of Cambodia requires such capital increase based on its supervisory assessments on the domestic entity's condition or risk profile. Such guarantee letter shall define its irrevocable commitment vis-à-vis the National Bank of Cambodia to provide the additional capital within 5 (five) working days and to finalize the capital increase formalities within 30 (thirty) days starting from the transfer of the required amount. The guarantee letter for increasing paid-up capital shall be supported by a decision made by the board of the influential shareholder or parent company and notification to the home supervisory authority.

6- The commitment to provide confirmation of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital as clearly defined in point 4 and point 5 above shall support by a decision made by the board and acknowledge by the influential shareholder. The documents to be filed with the National Bank of Cambodia shall consist of:

   - Authenticated copies of the board resolution concerning the commitments to provide confirmation of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital

   - Notification letter to the home supervisory authority of the National Bank of Cambodia's requirements on the commitments to provide information of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital.

   - And the guarantee letter of the influential shareholders to increase paid-up capital

7- In case where domestic banking institutions would seek the support from the foreign banking and financial institutions such domestic banking institutions shall provide documents to the National Bank of Cambodia no later than September 30, 2010 of the following:

   - Memorandum of understanding or irrevocable letter of interest from the potential influence shareholders specifying the shares that is looked for and the strategic objective of the investment which evidence long term commitment and interest in performing banking in the Kingdom of Cambodia.

- Authenticated copies of the board resolution of the potential influential shareholder and the notification letter to the home supervisory authority on the foreign banking institution's intention to invest in Cambodia.

- Declaration of the foreign banking institution on its responsibilities as an influential shareholder under the Laws and Regulations of the Kingdom of Cambodia and explicitly commit to comply with them

This circular shall have effect from the signing date.

Phnom Penh, 07 July 2010

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-9-010-151 Prokor

PRAKAS

ON

THIRD-PARTY PROCESSORS

****

Chapter I
General Provisions

Article 1.-

The purpose of this Prakas is to enable Banks as defined under the Law on Banking and Financial Institutions, hereafter referred to as "Bank", to outsource one or more parts of their payment transactions services through one or more third-party processors, as may be agreed between the Bank and those third-party processors, and subject to prior approval from the National Bank of Cambodia (also "NBC"), in conformity with Article 204 of the Law on Negotiable Instruments and Payment Transactions.

Article 2.-

- **Third-party Processor** means a person entrusted by a Bank to conduct one or more parts of its payment transactions services.

- Outsourcing consists of a Bank entrusting by way of agreement a legal person or another Bank to provide one or more parts of its services on its behalf.

Chapter II

Payment Transactions Services

Article 3.-

1. A person which is not a Bank may not engage in the business of payment transactions or hold itself out as providing payment transactions services unless the person

a) is entrusted by agreement by a Bank to act as its Third-party-Processor, and

b) is licensed by the National Bank of Cambodia

2. Once entrusted by the Bank and licensed by NBC, a Third-party Processor may act on behalf of the Bank to provide one or more of the following services, as specified in Article 203 of Law on Negotiable Instruments and Payment Transactions:

(i) A communication facility

(ii) An inter-bank clearing facility, which may further transmit inter-bank settlement information to Banks, including the Bank in which settlement is completed;

(iii) Managing or operating of Bank customers' accounts; and/or

(iv) Play as a sending and receiving point for payment orders sent or received by the Bank, which may be accessed directly by the Bank's customers for sending and receiving payment orders and in addition:

(v) A service provider of money remittance by mobile phone or other means

(vi) A service provider of clearing and settlement of debit and credit card payment

Article 4.-

1. The Third-party Processor can also manage and operate on behalf of one or more Banks, a payment system for:

a) Payment transactions and cash withdrawals,

b) Clearing and settlement for instruments of domestic and foreign currency payment in Cambodia.

2. In this event, it shall be duly entrusted to provide such services by each and all Banks taking part into the payment system and respective liabilities shall be duly allocated.

Article 5.-

A Third-party Processor managing a Payment System shall be subject to existing NBC Prakas on Payment Clearing Systems, Prakas on Control of Systemic Risk of Payment Systems and Prakas on the Operation of Settlement Accounts, and any other relevant measure, as applicable.

Chapter III

Bank's Application for Licensing Third-Party Processor

Article 6.-

1. Before allowing a Third-party Processor to conduct any payment transactions services, the Bank shall apply for a license on behalf of such Third-party Processor, issued by the NBC. The application must state or contain as follows:

a) The legal name and residential and business addresses of the Third-party Processor and any fictitious or trade name used by such Third-party Processor in conducting its business on behalf of the Bank and a description of its legal status;

b) A description of payment transactions services previously provided by the Third-party Processor also inside and outside Cambodia, if any, and the payment transactions services that the Third-party Processor seeks to provide in Cambodia on behalf of the Bank;

c) A description of the legal means to be undertaken to protect the customers' funds from any risk coming from the outsourcing of the services, allocation of Anti-Money Laundering and Terrorism Financing, and Know-your-

Customer duties, and measures to make and keep the customers aware of the role of the Third-party Processor into the payment transactions services..In case of use of Agents, their functions and legal status shall be described.

2. The application must be attached by the following documents:

- The decision of the concerned Bank management body to allow the Bank to provide one or more parts of their payment transactions services to a Third-party Processor.
- The agreement between the Bank and the Third-party Processor to provide and to accept the services.
- The authorization from the parent company or head office, as relevant, to allow their branch or subsidiary to act as Third-party Processor.
- A guarantee letter issued by the Bank that commits to undertake all responsibilities on the ongoing activities of the Third-party Processor.

3. An application fee of Riel 2,000,000 (Two millions Riel) must be accompanied with the application for a license.

4. The annual license fee of Riel 10,000,000 (Ten millions Riel) shall be paid by the Bank on behalf of Third-party processor by 15 January of each year.

5. For Banks applying for third-party license during the year, the license fee shall be calculated on pro rata basis for the period remaining to year's end.

6. In the event of late payment of the annual license fee, the Bank concerned shall be fined by paying interest on the overdue payment at the prevailing refinancing interest rate for a period up to thirty days.

Article 7.-

1. The license is valid for a period of three years, from the approval date. A license may be renewed only if the Third-party Processors' activities comply with laws and regulations and all infractions of relevant laws and prudential regulations, if any, have been remedied.

2. An application for renewal of a license shall be submitted to the National Bank of Cambodia at least three months before the expiration of the existing license. In the event that the request includes new services or substantially different methods to provide the same services, the NBC shall consider this as a request for a new license.

3. In the event this deadline is not met, a fine of Riel 1,000,000 (One million Riel) per day of delay up to the submission date shall be imposed.

4. Bank, which would remain not compliant beyond this period or any extension of time granted by the NBC, would be subject to a suspension of Third-party Processor's

license. The suspension shall be lifted if, within 20 (Twenty) days after its license is suspended, the Bank:

a) Submits the application for renewal and pays the renewal fee to Third-party Processor; and

b) Pays Riel 200,000 (Two hundred thousand Riel) for each day after suspension.

5. If a Bank would remain not fulfilled section 4 above, that Bank would be subject to a more serious penalty, which could go up to the revocation of Third-party Processor's license.

Article 8.-

1. The NBC shall approve or deny the application within 30 days (Thirty days) after the application date.

2. The NBC may for good cause extend the application period.

3. The license shall clearly state for what services or activities this is issued and/or subject the license to restrictions in the scope or means to provide such services.

4. The NBC can ask the Bank and the Third-party Processor to modify parts of the agreements to be undertaken should these results in excessive risk for the national payments system or the market.

Article 9.-

1. A Bank that entrusts one or more parts of payment transactions services to a Third-party Processor shall applies for renewal license not later than 30 days (Thirty days) before the expiration of the existing license. Bank must fulfill its obligation in giving information and pay the renewal license fee on behalf of the Third-party Processor.

2. The renewal application must contain:

a) a copy of the Bank's most recent audited annual financial statement.

b) description of each material change in information of its Third-party Processor in its original license application which has not been reported to the NBC on any required report;

c) a list of the locations in Cambodia where its Third-party Processor engages in payment transactions or provides other payment transactions services;

d) indication of any serious complaint or legal action undertaken by customers or third parties in relation of the licensed services.

Chapter IV

Duties and Responsibilities of the Bank

Article 10.-

Bank that received a license for Third-party Processor must act as follows:

1. Be fully responsible for any action or omission of the Third-party Processor and agent acting under its authority and on its behalf.

2. Ensure that a Third-party Processor operates under its full control and supervision in matters in which it acts on its behalf in order to ensure its compliance with this Prakas and with all other legal requirements. The Bank is precluded from denying such control and supervision.

3. Ensure that the Third-party Processors acting on its behalf and their Authorized Agents inform customers of this fact.

4. Ensure that the Third-party Processors Services have appropriate operational and technical safety and security to provide:

i) unique service event records and audit trails,

i) "per event" and "per customer" confirmations, investigation and reporting,

ii) reliable detection and rejection of failed or fraudulent service events

iv) tamperproof retention and storage of historical records

Article 11.-

The relationship and obligations of the Bank towards its clients shall not be materially altered by the outsourcing of any activities under this Prakas.

Chapter V

Duties and Responsibilities of Third-Party Processor

Article 12.-

Third-party Processor acting payment transaction on behalf of bank shall have the following duties:

1. Select one or more agents to facilitate cash-in and cash-out transactions.

2. Shall have a legal binding contract with its selected agent and shall define clearly its policies and procedures for its agent to be fully complied with.

3. Ensure that its selected agent shall not provide payment transactions services outside the scope of activity permissible under the agency agreement between the Agent and the Third-party Processor.

4. Ensure that the services provided by itself or any appointed agent have appropriate operational and technical safety and security to provide:

i) unique service event records and audit trails,

i) "per event" and "per customer" confirmations, investigation and reporting,

ii) reliable detection and rejection of failed or fraudulent service events

iv) tamperproof retention and storage of historical records

Article 13.-

A Third-party Processor has to be fully responsible for all its actions including its selected agent as follows:

1. Be fully responsible for any action or omission of an Authorized Agent providing payment transactions services on its behalf both against any third parties and the Bank.

2. Ensure that its Agents operate under its full control and supervision in matters in which it acts on its behalf. The Third-party Processor is precluded from denying such control and supervision.

3. Shall provide to NBC on a monthly basis, certified by the concerned Bank, the list of Agents together with their name and address of the location where they provide their services.

Chapter VI

Account Management

Article 14.-

A Bank that entrusts of transferring transactions services to a Third-party Processor shall require a Third-party Processor to open an account in its own bank in order to hold cash that has received from customers for transferring purpose such as through mobile phones.

This Third-party Processor's account is in the form of Trust Account, which is only used to transfer customer's transaction and is not used in any other purposes.

The respective bank has duties to monitor this account regularly and in the case of Third-party Processor cease of service providing or bankruptcy, bank must retain this account in order to protect customer's benefits. The balance of this account is not the property of the Third-party processor.

Chapter VII

Examinations, Reports and Records

Article 15.-

1. The NBC may conduct an annual examination of a Third-party Processor or if necessary a Bank upon 30 (Thirty) days' notice in a record.

2. The NBC may examine a Third-party Processor at any time, without notice, if the NBC has reasons to believe that the Third-party Processor is engaging in an unsafe or unsound practice or has violated or is violating this Prakas or an order issued under this Prakas.

3. If the NBC concludes that an on-site examination is necessary under paragraph (1) and (2) above, the Third-party Processor or the Bank shall pay the reasonable cost of the examination.

4. Information obtained during an examination under this Prakas may be disclosed only as provided in Article 17.

Article 16.-

1. A Third-party Processor shall file with the NBC within 15 (Fifteen) business days any material changes in information provided in the application as prescribed by the NBC.

2. With the certification of the Bank concerned, a Third-party Processor shall file with the NBC within 30 days (Thirty days) after the end of each fiscal quarter

a) a year-to-date financial statements of the payment transactions, including a balance sheet and statement of income and expenses;

b) payment transactions activity including monthly summaries of its activities for each month, broken down to categories as directed by the Bank concerned.

c) a list of all services currently offered by the Third-party Processor and the days and hours of the operation of the payment transactions services;

d) any other information required by the NBC.

Article 17.-

1. A Third-party Processor shall maintain for at least 10 (ten) years a log or logs of its activities containing for each transaction information and particularly the following records for determining the Third-party Processor's compliance with this Prakas:

a) a record of each payment instrument;

b) a general ledger posted at least monthly containing all asset, liability, capital, income, and expense accounts;

c) bank statements and bank reconciliation records;

d) records of outstanding payment instruments;

e) records of each payment instrument paid within the 10 (ten)-year period;

f) a list of the last known names and addresses of all of its Agents; and

g) any other records required by the NBC.

2. The items specified in paragraph (1) may be maintained in any form of record.

3. All records maintained by the Third-party Processor as required in paragraph (1) through (2) are open to inspection by the NBC pursuant to Article 13.

4. The Third-party Processor shall fulfill requirements imposed by other laws or regulations.

Article 18.-

1. A Third-party Processor shall file with the authority designated by law all reports required by currency reporting, record keeping, and suspicious transaction reporting requirements as set forth in the Law on Anti-Money Laundering and Combating the Financing of Terrorism. It shall impose to its Authorized Agents the collection of all relevant information imposed by such authority for such purposes.

2. The timely filing of a complete and accurate report with the appropriate authority is compliance with the requirements of paragraph (1).

Article 19.-

1. Except as otherwise provided in paragraph (2), all information or reports obtained by the NBC from the Third-party Processor, and all information contained in or related to examination, investigation, operating, or condition reports prepared by, or for the use of the NBC, or financial statements, balance sheets, are confidential and are not subject to disclosure.

2. The NBC may disclose information not otherwise subject to disclosure under paragraph (1) to representatives of the Government who undertake in a record that they will maintain the confidentiality of the information; or the NBC finds that the release is reasonably necessary for the protection of the public and in the interests of justice, and the Third-party Processor has been given previous notice by the NBC of its intent to release the information.

3. This article does not prohibit the NBC from disclosing to the public a list of persons licensed under this Prakas or the aggregated financial data concerning those Third-party Processors and their Authorized Agents.

Chapter VIII

Administrative Procedures

Article 20.-

1. The NBC may suspend or revoke a license of a Third-party Processor, or order a Third-party Processor to revoke the designation of an Agent if:

a) the Third-party Processor violates this Prakas or a rule adopted or an order, directive or instruction issued under this Prakas;

b) the Third-party Processor does not cooperate with an examination or investigation by the NBC;

c) the Third-party Processor engages in fraud, intentional misrepresentation, or gross negligence;

d) an Agent is convicted of a violation of the Law on Anti-Money Laundering and Combating the Financing of Terrorism, or violates a rule adopted or an order issued under this Prakas;

e) the Third-party Processor engages in an unsafe or unsound practice;

f) the Third-party Processor is insolvent, suspends payment of its obligations, or makes a general assignment for the benefit of its creditors; or

g) the Third-party Processor does not remove an Agent after the NBC issues a final order including a finding that the Agent has violated this Prakas.

In determining whether a Third-party Processor is engaging in an unsafe or unsound practice, the NBC may consider the size and condition of the Third-party Processor's payment transactions services, the magnitude of the loss, the gravity of the violation, and the previous conduct of the person involved.

Article 21.-

If the NBC determines that a violation of this Prakas or a rule adopted or an order, directive or instruction issued under this Prakas by the Third-party Processor is likely to cause immediate and irreparable harm to the Third-party Processor, its customers, or the public, or cause insolvency or significant dissipation of assets of the Third-party Processor, the NBC may issue an order requiring the Third-party Processor to cease and desist from the violation.

Article 22.-

The NBC may assess a civil penalty against a person that violates this Prakas or a rule adopted or an order issued under this Prakas in an amount of KHR 100,000 per day for each day the violation is outstanding.

Article 23.-

1. No person shall intentionally make a false statement, misrepresentation, or false certification in a record filed or required to be maintained under this Prakas or shall intentionally make a false entry or omit a material entry in such a record.

2. No person shall knowingly engage in the payment transactions activity without obtaining a license from National Bank of Cambodia.

3. If the NBC has reason to believe that a person has violated or is violating Article 3 of this Prakas, the NBC may issue an order to cease and desist that person.

Chapter IX
Final Provisions

Article 24.-

The General Director, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, entities and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 25.-

This Prakas shall have effect from the signing date.

Phnom Penh, 25 August 2010

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-00-46 Prokor

PRAKAS

ON

THE BANKS'SOLVENCY RATIO

****

As amended by the following Prakas: B 7-07-135 dated August 27, 2007 on Amendment of Prakas Relating to the Banks' Solvency Ratio and B7-04-206 dated December 29, 2004 on Amendment of Prakas Relating to the Banks' Solvency Ratio.

Article 1 *[as amended by Prakas B 7-04-206 dated December 29, 2004].*

Banks shall at all times observe a solvency ratio in accordance with the provisions of this Prakas. This solvency ratio of their net worth to their aggregate credit risk exposure shall not be less than 15 percent.

Article 2

The numerator of the ratio shall be the net worth calculated in accordance with the provisions of the Prakas on the calculation of the bank's net worth.

Article 3 *[as amended by Prakas B7-07-135 dated August 27, 2007]*

3.1- The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of credit risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of the bank's net worth.

3.2- The following weightings shall apply to assets:

3.2.1- zero weighting:

- cash,
- gold,
- claims on NBC,
- assets collateralized by deposits 100% lodged with the bank,
- claims on or guaranteed by sovereigns rated AAA to AA- or equivalent, under the methodology used by an rating agency acknowledged by the NBC.

3.2.2- 20 percent weighting:

- claims on or guaranteed by sovereigns rated A+ to A- or equivalent, under the methodology used by an rating agency acknowledged by the NBC.

- claims on or guaranteed by banks rated AAA to AA- or equivalent, under the methodology used by Rating Agency acknowledged by the NBC.

3.2.3- 50 percent weighting:

- claims on or guaranteed by sovereigns rated BBB+ to BBB- or equivalent, under the methodology used by Rating Agency acknowledged by the NBC.

- claims on or guaranteed by banks rated A+ to A- or equivalent, under the methodology used by Rating Agency acknowledged by the NBC.

3.2.4- 100 percent weighting

- all other assets.

3.3- The following provisions shall apply to off-balance sheet items:

3.3.1 - Off-balance sheet items shall be classified in four categories in accordance with the list given in Annex. These items shall be taken into account:

- at their full value where they are classified as carrying a full risk,

- at 50 percent of their value where they are classified as carrying medium risk,

- at 20 percent of their value where they are classified as carrying moderate risk.

Items classified as carrying low risk shall not be taken into account.

3.3.2- The amounts thus determined shall be multiplied by the weightings laid down in Paragraph 3.2 that are applicable to the category to which the beneficiary or asset concerned belongs. However:

- in the case of commitments covered by a guarantee provided by a third party, the weightings shall be those applicable to the guarantor or the guarantee,

- in the case of guarantees given to another bank in connection with the repayment of claims held by the latter, the weighting shall be those applicable to these claims.

Article 4

Banks must declare their solvency ratio as at 30 June and 31 December of each year. The National Bank of Cambodia may, in addition, ask any bank to calculate its solvency ratio on other dates specified by the NBC in the light of the requirements of supervision.

The NBC shall determine by circular the format in which the items for calculating the ratio must be declared.

The characteristics of the items to which the weightings laid down in Article 3 are applied shall be specified, as necessary, by the NBC. The NBC may object to a given weighting

being applied to an asset or off-balance sheet item if it considers that that item does not satisfactorily meet the conditions in force.

Article 5

The NBC reminds that weak or inadequate accounting policies undermine the usefulness of capital requirements by causing overstated or unreliable solvency ratios. Therefore the NBC attaches great importance to implementation of sound accounting and valuation practices and especially to the accurate classification and provisioning of assets in accordance with provisions of Prakas on the classification and the provisioning of bad and doubtful debts, including interests in suspense.

Article 6

All provisions contrary to those of this Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 8

This Prakas shall have effect from the signing date.

Phnom Penh, February 16, 2000

The Governor

Signed and Sealed: **Chea Chanto**

ANNEX TO PRAKAS RELATING TO THE BANKS'S SOLVENCY RATIO CLASSIFICATION OF OFF-BALANCE SHEET ITEMS REFERRED TO IN PARAGRAPH 3-3-1

Banks have to note that where items are not referred to in the following list, they must classify them in the category of transactions that show similar characteristics, after they have asked the NBC, if necessary.

1. Items classified as carrying a full risk:

- Loan guarantees (deductible from the risk exposure in respect of the beneficiary).
- Acceptances.
- Endorsements on bills not bearing the name of another bank or financial institution.
- Transactions with recourse.
- Irrevocable credit lines, or guarantees, having the character of credit substitutes.
- Other items carrying a high risk.

2. Items classified as carrying a medium risk:

- Commitments to pay resulting from documentary credits issued or confirmed where the underlying goods do not serve as collateral.
- Warranties and indemnity bonds (including tender, performance, customs and tax bonds) and guarantees not having the character of credit substitutes.
- Undrawn facilities, particularly overdrafts and commitments to lend with an initial term of more than one year.
- Other items carrying medium risk.

3. Items classified as carrying a moderate risk:

- Documentary credits issued or confirmed where the underlying goods serve as collateral and other similar transactions.
- Other items carrying a moderate risk.

4. Items classified as carrying a low risk:

- Undrawn facilities, particularly overdrafts and commitments to lend, which are for an initial maturity of up to and including one year or that, may be cancelled unconditionally at any time without notice.
- Other items carrying a low risk.

Nº B7-01-137 Prokor

PRAKAS
ON
LOANS TO RELATED PARTIES

****

As amended by Prakas B 7-02-146 dated June 07, 2002 on Amendment on Prakas Nº B7-01-137 on Loans to Related Parties

Article 1

Related parties as defined in article 49 and 50 of the law on Banking and Financial Institutions are subject to the provisions of the present Prakas.

Article 2

Loans and overdraft to related parties must be made under normal conditions of duration, interest rate, collateral and repayment schedule.

Normal conditions are understood as the conditions that would be made to any other non-related customer in similar circumstances.

Article 3

The rule set in article 2 does not apply to subordinated debts issued by banks or financial institutions operating in Cambodia and held by Cambodian banks or financial institutions which are their parents companies.

Article 4 *[as amended by Prakas B 7-02-146 dated June 07, 2002]*

The total weighted outstanding of loans to related parties will in no case be superior to 10% of the bank's net worth. The calculation of loans to related parties shall not include the bank's placements with head office or mother company under two conditions:

- Head office or mother company is a bank;
- The evidence of its rating equal or superior to A- according to Standard & Poor’s methodology, or equivalent, from an internationally recognized rating agency.

The outstanding of loans will be calculated according to the Prakas relating to the solvency ratio (currently B 7.00-46).

The bank's net worth will be calculated according to the Prakas on the calculation of banks net worth (currently B 7.010-182).

Article 5

Each bank or financial institution shall send a quarterly declaration of relevant loans

made to the National Bank of Cambodia, following a format attached to this Prakas. Copy of this declaration will be given to the Board of Directors of the bank or of the Financial Institution.

Article 6

Any failure to abide by the present regulation will be sanctioned according to Article 52 of the Law on the Banking and Financial Institutions.

Article 7

All provisions contrary to those of this Prakas are hereby repealed.

Article 8

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall implement this Prakas.

Article 9

This Prakas shall have effect from the signing date.

Phnom Penh, 15 October 2001

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-06-226 Prokor

PRAKAS
ON
CONTROLLING BANKS AND FINANCIAL INSTITUTIONS' LARGE EXPOSURES

****

Article 1

Large exposure is defined as the overall gross exposure resulting from banking and financial institution's operations with one single beneficiary, where such exposure exceeds 10 percent of the institution's net worth. Exposure means the higher of the two following items:

a - the outstanding loan or commitment

b - the authorized loan or commitment.

Article 2

Banking and Financial Institutions shall maintain at all times a ratio not exceeding 20 percent between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

Article 3

For the purposes of this Prakas, the net worth shall be calculated in accordance with the provisions of the Prakas B 7.010-182, dated October 15, 2010, on the calculation of the Bank's net worth.

For the purposes of this Prakas, exposures, which are liable to the risk of counterparty default, shall be weighted items as defined in Article 3 of the Prakas B7-00-46, dated February 16, 2000, relating to the solvency ratio. However, items deducted in calculating the net worth in accordance with the provisions of the Prakas on the calculation of the bank's net worth shall not be counted as exposures.

Article 4

Individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other or all of them shall likewise be deemed to constitute a single beneficiary.

In particular, such connections exist between two or more individuals or legal entities where:

(a) one of them directly or indirectly exercises control over the other;
(b) they are subsidiaries of the same parent company;
(c) they come under the same *de facto* management;

(d) one of them has an equity interest in the other exceeding 10 percent and they are bound by reciprocal guarantee agreements or have a special business relationship which each other such as sub-contracting, franchise, etc.

The National Bank of Cambodia may regard a group of customers as constituting a single beneficiary if the connections between them are aforementioned.

Article 5

For exposures guaranteed by another bank or international financial institution agreed by the National Bank of Cambodia, with the prior approval of the NBC, the weighting referred to in Article 3 of this Prakas may be reduced by half, under the following conditions:

a. The letter provided by a bank or international financial institutions as the guarantor shall include a formal commitment to repay the total outstanding loans when one of the following events occurs:

   - one installment is unpaid on due date, or
   - these loans become non-performing.

b. The guarantee letter shall be signed and acknowledged by the foreign supervisory authority of the bank or by the international financial institution's headquarters that issued this guarantee letter.

Article 6

At the Banking and Financial Institution’s request, the National Bank of Cambodia may increase the maximum ratio described in Article 2 of this Prakas, up to an extra-large exposure limit, which cannot exceed 35 percent of the net worth, under the following conditions:

a. The Banking and Financial Institution’s financial condition is considered “satisfactory” by the National Bank of Cambodia, based on National Bank of Cambodia’s internal rating or benefits from a rating “investment grade” by an international rating agency;
b. The borrower’s financial situation is strong, which includes good business perspectives, solvency, profitability and management. The Banking and Financial Institutions shall provide the National Bank of Cambodia with audited financial reports, a credit analysis report and other related documents when applying for approval of exposures exceeding a ratio as described in Article 2 of this Prakas.

Article 7

Banking and Financial Institutions shall be required to maintain at all times a maximum ratio of 300 percent between the total of their large exposures, as defined in Article 1 of this Prakas, and their net worth.

Article 8

The exposures defined in Article 1 shall be subject to internal management and supervision procedures, in particular by the setting of limits on the delegation of loans or commitment decisions in such a way that the maximum amount of the ratios set forth in Articles 2 through 7 is respected at all times.

Banking and Financial Institutions shall take all necessary steps in keeping a complete centralized record of their commitments, in particular those granted to interconnected beneficiaries falling within the scope of Article 4 of this Prakas.

The National Bank of Cambodia may ask to be provided with a report on the steps taken.

Article 9

Banking and Financial Institutions shall file monthly declarations of their large exposures in accordance with the annex model attached with this Prakas.

Article 10

This Prakas shall not apply to microfinance institutions.

Article 11

The Prakas B7-00-52, dated February 17, 2000, on Controlling Banks' Large Exposures, and all other provisions contrary to this Prakas are hereby repealed.

Article 12

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas effectively from the signing date.

Phnom Penh, 03 November 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-09-216 Prokor

PRAKAS
ON
REPORTING OF THE BIGGEST EXPOSURES AND SURVEILLANCE OF CREDIT RISK CONCENTRATION

****

CHAPTER 1
GENERAL PROVISIONS

Article 1

Banking and Financial institutions, hereafter called "Institutions," are required to establish, on a quarterly basis, a comprehensive review of their fifty biggest exposures on borrowing counterparties. Where required, institutions shall adapt and upgrade their management information systems in order to comply with the requirements set forth in this Prakas.

Article 2

Credit risk concentration issues might severely impact an institution's financial condition, therefore requiring particular surveillance in order to assess potential impacts of a deteriorating larger borrower's condition under adverse economic circumstances.

In addition, notwithstanding the regulatory requirements related to large exposures, the concentration of credit exposures shall be commensurate with the institution's risk appetite and the strength of financial condition. Credit exposures deemed too concentrated shall lead to a reassessment of lending policies and limits, subsequently and on a periodic basis.

Article 3

On a quarterly basis, Institutions shall provide Board Members or Members of the Executive Body with a list of the fifty (50) largest exposures on individual borrowers or groups of borrowers. Such reports shall, at a minimum, include all the data and information required by the banking supervisory authority, NBC.

Institutions shall provide Board Members or Members of the Executive Body with a summary assessment on the borrowers' overall financial condition. In particular, should the reported exposures be adversely classified, all adequate supporting data and information should be communicated in order to evaluate potential losses and other impacts, especially on the institution's liquidity and solvency condition.

These quarterly reports to the Board Members or to the Members of the Executive Body shall inform them of all the actions undertaken so far by the institution and the actions currently considered to safeguard its interests.

CHAPTER 2

EXPOSURES' CONSOLIDATION

Article 4

When two or several individuals or legal entities are considered a single borrower due to their interconnections, institutions shall aggregate the overall exposures at the adequate level and itemize all the individual borrowers and lines constituting the consolidated exposures.

Article 5

Individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other or all of them shall likewise be deemed to constitute a single beneficiary.

In particular, such connections exist between two or more individuals or legal entities where:

a) One of them directly or indirectly exercises control over the other(s);
b) They are subsidiaries of the same parent company;
c) They come under the same *de facto* management;
d) One of them has an equity interest in the other exceeding 10 percent and they are bound by reciprocal guarantee agreements or have a special business relationship with each other such as sub-contracting, franchise, etc.

The National Bank of Cambodia shall regard a group of borrowers as constituting a single beneficiary if the connections between them fall under the aforementioned.

Article 6

In addition, Institutions might identify other economic dependence factors or interconnections, especially based on internal analyzes performed on cash-flow origins and concentrations.

Article 7

Institutions shall consolidate all their exposures at the appropriate level to reflect their overall risk on the ensemble of interconnected debtors, considered a "single borrower."

CHAPTER 3

REPORTING FORMAT AND CONTENT

Article 8

Institutions shall report according to the sample as attached in the Appendix. This report shall contain sufficient data. The overall fifty largest exposures shall be presented in decreasing order of amount.

Article 9

Individuals and legal entities, considered "single borrowers," shall be clearly identified and the types of interconnections explicitly discussed. Detailed information about relationships among the different components of such groups of borrowers shall be in an appendix attached with the report.

For identification, the minimum required information shall be as below:

- **For individuals:** full legal name used, birth date, address, activity / profession, economic sector;
- **For legal entities:** commercial name, brands, registration number, incorporation date, business address, activity(ies), economic sector and any other useful information available to ensure proper identification.

Prior to consolidation of the exposures held on individuals and/or legal entities considered as "single borrowers," institutions shall itemize all lines extended at the individual level.

Consolidation shall be performed by **aggregating separately** on-balance sheet items on a gross outstanding basis, and off-balance sheet items on an outstanding notional amount basis.

Article 10

The amount of balance-sheet exposures shall be reported on a gross basis that is outstanding capital, without considering existing specific provisions and without taking into consideration interests, except if these were contractually capitalized.

The exposures shall be itemized, line by line and borrower by borrower. Minimum information required is: nature of exposure (overdraft or loan), outstanding capital, initial authorization, type of amortization and maturity.

Should a line or a borrower be adversely classified in the Institution's books and records, the report shall reflect in separate columns, the corresponding classification and the amount of specific provision established to cover the risk.

Article 11

Off-balance sheet exposures shall be reported and aggregated on an outstanding notional amount basis and as of the reporting date.

The corresponding lines shall be itemized, beneficiary by beneficiary, and reflect the outstanding notional amounts, the initial authorizations and, where applicable, their maturities. The reported lines shall clearly specify the nature of the transactions (unused committed overdraft facility, undisbursed portions of loans, guarantees and types of guarantees).

Should a line or a borrower be adversely classified in the institution's books and records, the report shall reflect, in separate columns, the corresponding classification and the amount of specific provision established to cover the risk.

CHAPTER 4

QUARTERLY REPORT TO THE NBC

Article 12

Institutions shall submit their quarterly reports on their fifty largest exposures, as of the end of March, end of June, end of September and end of December, to the NBC by the 15th of the first month of the following quarter.

CHAPTER 5

SANCTIONS

Article 13

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

CHAPTER 6

ENFORCEMENT

Article 14

This Prakas shall not apply to microfinance institutions.

Article 15

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 16

This Prakas shall have effect from the signing date.

Phnom Penh, 15 September 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-01-186 Prokor

PRAKAS

ON

FIXED ASSETS OF BANKS

****

Article 1

Ownership of fixed assets by banks is regulated by the present Prakas.

Article 2

Fixed assets can be acquired by banks only in two cases:

Either they are directly used for operating the bank, **Or,** though not used for operating the bank, they become its property by legal enforcement of a guarantee and help reducing the exposure on bad loans.

Article 3

Fixed assets acquired by banks for operational purposes shall remain inferior to 30% of total net worth as defined in Prakas B 7.010-182.

Article 4

Fixed assets with no direct link to operating the bank shall be sold no later than one year after the date they become property of the bank. They will be accounted for in the books of the bank at their fair value.

Article 5

Any breech of the present parkas will fall under sanctions and penalties mentioned in article 52 of the Law on Banking and financial institutions.

Article 6

The Banks will report monthly to the National Bank of Cambodia on the compliance to the present Prakas following a format set by circular.

Article 7

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banks under the NBC's supervisory authority shall strictly implement this Prakas.

Article 8

This Prakas shall have effect from the signing date.

Phnom Penh, 08 November 2001

The Governor

Signed and Sealed: **Chea Chanto**

No. B-7-00-38 Prokor

PRAKAS
ON
LIQUIDITY FOR BANKS AND FINANCIAL INSTITUTIONS

****

As amended by the following Prakas: B7-04-207 dated December 29, 2004 on Amendment of Prakas Relating to Liquidity for Banks and Financial Institutions and B7-02-187 dated September 13, 2002 on Amendment of Prakas Relating to Liquidity for Banks and Financial Institutions.

Article 1

Banks and micro financing institutions hereinafter referred to as banks are required to comply with the management rules aimed at ensuring their liquidity that are laid down in the following articles.

Article 2

Banks shall calculate a liquidity ratio on the basis of their monthly accounting statements.

Article 3

The numerator of the liquidity ratio shall comprise:

1. Where it represents a lender position, the treasury balance as defined in Article 5 of this Prakas.
2. Portion of lending with not more than one month to run (excluded loans to customers with no date of maturity - overdrafts for instance)
3. Treasury bills with not more than one month to run.

Article 4

The denominator of the liquidity ratio shall comprise:

1. Where it represents a borrower position, the treasury balances as defined in Article 5 of his Prakas.
2. 80 percent of the portion of fixed deposits and certificates of deposit having not more than one month to run.
3. 50 percent of the portion of fixed deposits and certificates of deposit having more than one month to run.
4. 50 percent of saving deposits.
5. 60 percent of demand deposits.

Article 5

The treasury balance is equal to the difference between the total debit items and the total credit items, as listed below:

1. Debit items

a. Cash and gold
b. Deposits with NBC
c. Deposits with banks
d. Portion of lending to banks and financial institutions with not more than one month to run (excluded loans with no date of maturity).

2. Credit items

– Credit balances on sight accounts maintained with NBC, banks or financial institutions.
– Borrowings from NBC and banks with not more than one month to run.

The treasury balance is regarded as representing a lender position when the total of the debit items exceeds the total of the credit items. The treasury balance is regarded as representing a borrower position when the total of the credit items exceeds the total of the debit items.

Article 6: *[as amended by the following Prakas: B7-02-187 dated September 13, 2002 and B7-04-207 dated December 29, 2004].*

Banks must at all times have a liquidity ratio of at least 50 percent.

Article 7

Banks shall monthly file declarations of their liquidity ratio in accordance with a model drawn up by the National Bank of Cambodia.

Article 8

All provisions contrary to those of this Prakas are hereby repealed.

Article 9

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 10

This Prakas shall have effect from this signing date.

Phnom Penh, 9 February 2000

The Governor

Signed and Seal: **Chea Chanto**

Nº B-9-98-414 Prokor

PRAKAS

ON

THE SOURCE OF FUND FROM DEPOSITS FOR LOCALLY USE OF BANKS AND FINANCIAL INSTITUTIONS

****

Article 1:

Measures shall be taken to restrict the outflow of the source of fund which are the customers' deposits collected located under locally by the banks (commercial banks) and financial institution operated under the supervision of the National Bank of Cambodia to ensure that local saving can be used for investment locally.

Article 2:

All banks and financial institutions shall keep the total amount of deposits (100%) collected from customers and from interbank for their own use inside the country.
The evidence of this shall be reflected in the sum of following items of the asset side of the balance sheet:

- Cash in hand
- Deposits with local bank
- Deposits with the NBC (minus 100% of capital reserve requirement)
- Loans and advances

This sum shall always be at least equal to the total deposits collected from customers and interbank.

Article 3:

Every month, the banks and financial institutions shall send table as mentioned in article 2 to the NBC (Supervision Department), hereby attached with monthly report on assets and liabilities (balance sheet) as regularly do every month.

In case where it is seen that the table is not conformed to the condition specified in article 2, the concerned institutions shall be penalized 1% of deficient amount per month. It is the first remonstrance for a period of one month, and it will be more serious according to the case.

Article 4:

The General Secretariat, The General Directorate, General Cashier, General Inspection, all departments and all banks and financial institutions under the supervision of the National Bank of Cambodia shall strictly abide by regulations of this Prakas.

Article 5:

This Prakas shall be effective from the date of October 1, 1998

Phnom Penh, 28 August 1998

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-09-074 Prokor

PRAKAS
ON
ASSET CLASSIFICATION AND PROVISIONING
IN BANKING AND FINANCIAL INSTITUTIONS

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CHAPTER I

GENERAL PROVISIONS

Article 1

This Prakas is intended to ensure that all loans and assets of banking and financial institutions, hereinafter called "Institutions," are regularly evaluated using an objective and prudential grading system, and that timely and appropriate provisions and write-offs are made to the reserve for loan loss account in order to accurately reflect the true condition and operating results of the institutions.

This Prakas applies to all loans, advances and similar assets, including the ones extended to affiliates and related parties held or reflected in the Institution's balance sheet.

Given the potential impacts of non-performing loans on the solvency, liquidity and income condition of the Institution, senior management and the board should exercise risk-based and forward looking judgment based on the observed trends of classified assets.

Article 2

"Capitalized interest" means any accrued and uncollected interest which has been added to the principal amount of a loan at a payment date or at maturity; capitalized interest also includes unpaid interest which is refinanced or rolled over into a new loan.

For purposes of this Prakas, capitalization of interest will not be permitted unless:

- the borrower has the ability to repay the full debt (principal plus interest) in the normal course of business;
- the interest capitalization was anticipated upon approval of the initial loan based on the borrowers planned temporary lack of cash flow;
- repayment, including capitalized interest, is based on a reasonably ascertainable future event.

"In the process of collection" means that collection of a debt is proceeding in due course in a timely manner either through:

- legal action, including the enforcement of judgments against the borrower; or
- through collection efforts not involving legal action but which are reasonably expected to result in full repayment of the debt within 90 days or in restoration of the debt to a current status through payment of outstanding arrears.

“Loans” and “loans and advances” may be used interchangeably to include any loan, discount, advance, overdraft, export bills purchased, other bills receivable or purchased, import bills, a customer’s liability on acceptances or any other credit facilities extended to the customer of an institution.

“Non-performing” means that an asset is no longer generating income. For purposes of this Prakas, "non-performing" assets are classified as substandard, doubtful or loss.

Current accounts used for overdraft purposes and other credit extensions not having pre-established repayment programs are considered "non-performing" when any of the following conditions exist:

- debt exceeds the customer’s approved limit for 90 consecutive days or more;
- the customer’s borrowing line has expired for 90 days or more;
- interest is due and unpaid for 90 days or more; or
- the current account has been inactive for 90 days, *or deposits are insufficient to cover the outstanding interest during the period.*

“Off balance sheet items” means all items not shown on the balance sheet but which constitute credit risk. Such risks include guarantees, acceptances, performance bonds, letters of credit, and all other off balance sheet items deemed to constitute credit risk by the National Bank of Cambodia.

“Past due" or "overdue” means any loan for which:

- principal or interest is due and unpaid for 30 days or more; or
- interest payments equal to 30 days interest or more have been capitalized, refinanced, or rolled over.

Current accounts use for overdrafts purposes and other credit extensions which do not have pre-established repayment schedules are considered "past due" when any of the conditions below exist:

- debt exceeds the customer’s approved limit for 30 consecutive days or more;
- the customer’s borrowing line has expired for 30 days or more;
- interest is due and unpaid for 30 days or more; or
- the current account has been inactive for 30 days, or deposits in the current account used are insufficient to cover the interest capitalized during the period.

“Provision for Loan Losses" or “Loan Loss Provision” means an income statement account used to increase or decrease the allowance for Loan Losses in order to maintain that account at a level adequate to absorb expected losses in the loan portfolio.

“Reserve for Loan Losses" or "Allowance for Loan Loses” means a balance sheet valuation account established through charges to "provision expense" in the income statement and against which uncollectible loans or portions thereof are written-off. The allowance for the loan losses account is offset by loans for financial reporting purposes.

“Renegotiated loan” or **“Restructured Loan”** means any loan that has been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a

periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed.

CHAPTER II

CLASSIFICATION OF LOANS AND ASSETS

Article 3

All loans and assets shall be classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through the following criteria:

- Past payment experience,
- Financial condition of the borrower, both current and expected,
- Business prospective and cash-flow projections, based on realistic and prudent assumptions,
- Ability and willingness to repay of the borrower,
- Financial environment,
- Quality of documentation.

A significant departure from the primary source of repayment may warrant adverse classification even when a loan is current or appears to be supported by underlying collateral value. Reclassification may also be warranted if the counterparty could not meet the conditions of the contract and needed a modification of terms, refinancing, or additional advances.

In cases where different classification grades may be assigned based on subjective criteria, the more severe classification should apply. Moreover, nothing contained in the classification definitions indicated in Article 4 below shall preclude assigning a more severe grade when an analysis of a borrower's financial condition, ability, and willingness to repay justifies the more severe classification.

Article 4

All assets shall be classified into five categories as follows:

(i) **Normal.** Assets in this category are fully protected by the current sound worth and paying capacity of the counterparty, are performing in accordance with contractual terms, and are expected to continue doing so.

(ii) **Special mention.** Assets in this category shall be currently protected and shall not be past due but exhibit potential weaknesses which shall, if not corrected, weaken the asset or inadequately protect the bank's position at some future date. Examples of such weaknesses include, but are not limited to: inability to properly supervise due to an inadequate loan agreement; deteriorating condition or control of collateral; deteriorating economic conditions or adverse trends in the borrower's financial position which shall, if not checked, jeopardize repayment capacity, potential risk is greater than when the loan was originally granted. This category should not be used as a compromise between Normal and Substandard.

Overdrafts must be classified as Special mention, if excess of the approval limit is more than 30 days but less than 90 days, or the current account has been inactive for 30 days, or deposits in the current account used are insufficient to cover the interest capitalized during the period.

Any loan which is past due 30 days or more but less than 90 days shall be classified as Special mention or worse.

When interest payments for 30 to 90 days have been capitalized, refinanced, or rolled over into a new loan, this loan shall be classified as Substandard or worse.

(iii) **Substandard.** Assets in this category are not adequately protected by the current sound worth and paying capacity of the counterparty. In essence, the primary source(s) of repayment is not sufficient to service the debt and the bank must look to secondary sources such as collateral, sale of fixed assets, refinancing, or additional capital injections for repayment. Substandard assets have well-defined weaknesses that jeopardize the orderly repayment of the debt.

Overdrafts must be classified as Substandard if excess of the approval limit is more than 90 days, or if there are overdrafts with no significant amount in credit during 90 days or more, or the current account has been inactive for 90 days, or deposits in the current account used are insufficient to cover the interest capitalized during the period.

Any loan which is past due 90 days or more but less than 180 days shall be classified as Substandard at a minimum.

When interest payments for 90 to 180 days have been capitalized, refinanced, or rolled over into a new loan, this loan shall be classified as Substandard or worse.

(iv) **Doubtful.** Assets in this category have all the weaknesses inherent in a substandard asset plus the added characteristic that the asset is not well secured. These weaknesses make collection in full, on the basis of currently existing facts, conditions, and value, highly questionable and improbable. The possibility of loss is high, but because of important and reasonably specific pending factors that mitigate, the actual amount of loss cannot be fully determined. If pending events do not occur within 180 days and repayment must again be deferred pending further developments, a Loss classification is warranted upon realization of securities held.

Overdrafts must be classified as Doubtful, if excess of the approval limit is more than 180 days, or if there are overdrafts with no significant amount in credit during 180 days or more, or the current account has been inactive for 180 days, or deposits in the current account used are insufficient to cover the interest capitalized during the period.

Any loan which is past due 180 days or more shall be classified as doubtful or worse.

When interest payments for 180 to 360 days have been capitalized, refinanced, or rolled over into a new loan, this loan shall be classified as Doubtful or worse.

(v) **Loss.** Assets that are considered uncollectible or of such little value that their continuance as bankable asset is not warranted shall be classified Loss. Losses shall be taken in the period in which they are identified, or should have been identified, as uncollectible.

Overdrafts must be classified as Loss, if excess of the approval limit is more than 360 days, or if there are overdrafts with no significant amount in credit during 360 days or more, or the current account has been inactive for 360 days, or deposits in the current account used are insufficient to cover the interest capitalized during the period.

Any loan which is past due 360 days or more shall be classified as Loss.

When interest payments for 360 days or more have been capitalized, refinanced, or rolled over into a new loan, this loan shall be classified as Loss.

Article 5

Overdrafts, whatever their maturity, must be used only to fund short term needs. Overdrafts shall be classified as short term loans.

Article 6

If a bank has multiple loans or assets outstanding with a single counterparty or group of counterparties and one loan or another asset meets the criteria for being adversely classified, then the bank shall evaluate every other loan to that borrower shall, classify them in the same category. This includes off balance sheet commitments, except where the nature of these commitments makes it unlikely that the bank will have to make any disbursement. However, commercial paper, including documentary credit, accepted by the drawee and where timely payment is likely can be maintained in the Normal category.

CHAPTER III

RESTRUCTURED LOANS

Article 7

Debt Restructuring may only be undertaken towards debtors that still have good business prospects and have or are expected to experience **temporary** difficulties in repayment of credit principal and/or interest.

Article 8

Banks are prohibited from conducting Debt Restructuring merely for the purpose of avoiding:

- downgrading in classification of credit; or

- formation of increased Allowance for Earning Assets Losses; or

- **Discontinued** recognition of interest income on an accrual basis.

Article 9

Credit to be restructured shall be analyzed on the basis of the business prospects and repayment capacity of the debtor according to **new** cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Article 10

Debt Restructuring shall be carried out by a work-out unit which shall be separate from the units responsible for the lending process. In the case that involvement of officers or employees involved in the lending process is unavoidable; the Board of Directors of the Institution shall conduct direct and strict monitoring of the implementation of Debt Restructuring.

Article 11

Following the completion of Debt Restructuring, the credit shall be classified as follows:

- not better than Substandard, for credit originally classified as doubtful or loss;

-unchanged, for credit originally classified as normal, special mention or substandard. This classification shall not be improved unless there are no arrears in repayment of principal and interest within three (3) installment periods and within a period of not less than three (3) months. After that period, the restructured credit may be classified according to article 11 of this Prakas.

CHAPTER IV

PROVISIONING REQUIREMENTS

Article 12

All institutions shall maintain an Allowance for Loan Losses at a level adequate to absorb expected losses in the loan portfolio.

1- Twice a year, or more frequently if warranted, the board of directors shall require management to evaluate the collectibility of all loans, including any accrued and unpaid interest, and shall require that appropriate entries be made to (i) accurately report earnings, and (ii) assure that the Provision for Loan Losses is adequate to absorb potential losses. Management must maintain reasonable records in support of their evaluations and entries and shall make them available for on-site inspection by NBC examiners, external auditors and Internal Audit.
2- Increases and decreases in the Allowance for Loan Losses account shall be made through charges to the Provision for Loan Losses in the income statement.
3- In determining the amount of potential loss in specific loans or in the aggregate loan portfolio, all relevant factors shall be considered, including, but not limited to: historical loan loss experience, current economic conditions, delinquency trends, the effectiveness of the bank’s lending policies and collection procedures, and the timeliness and accuracy of its loan review function.

Article 13

The following minimum percentage amounts for provisioning are to be maintained according to assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum amounts, larger provisions shall be made.

(i)	General provision	
	- for loans graded **“Normal”**	1% of gross loan
(ii)	Specific provision	
	- for loans graded **"Special mention"**	3% of gross loan
	- for loans graded **“Substandard”**	20% of gross loan
	- for loans graded **“Doubtful”**	50% of gross loan
	- for loans graded **“Loss”**	100% of gross loan.

Article 14

Institutions shall maintain adequate records supporting their evaluations of potential loan losses and the entries made to ensure adequacy of the Provision for Loan Losses.

The specific provision shall be recorded in the Institution’s accounts and charged to the profit and loss account in the month in which the need is identified. It shall not be spread over future periods. Insofar as the customer account balance includes an amount of interest the counterpart of which has been recorded as interest in suspense, this amount shall not be taken into account in calculating the specific provision.

In accordance with accrual basis accounting, interest accrued on a customer account shall be recorded as income in the profit and loss account. However, such a procedure is not followed for assets once they have been classified as Substandard, Doubtful or Loss. In these circumstances, interest accrued shall be credited to an account for interest in suspense.

CHAPTER V

WRITE-OFF OF LOANS/ADVANCES

Article 15

An institution should remove a loan/advance or a portion of a loan from its balance sheet when the bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectable; or there is no realistic prospect of recovery. This is normally evident at a stage where- The bank has lost control over the contractual rights that comprise the loan or part of the loan as determined by a court of law.

a- All forms of securities or collateral have been called, realized but proceeds failed to cover the entire facility outstanding.

b- The bank is unable to collect or there is no longer reasonable assurance that the bank will collect all amounts due according to the contractual terms of the loan/advances agreement.

c- The borrower becomes bankrupt or is undergoing other forms of financial restructuring and is having difficulty in servicing the facility.

d- The loan is classified under loss category.

All credit policies should adequately detail the write-off procedures in order to minimize potential abuse.

CHAPTER VI

LOANS CONTROL

Article 16

When performing an on-site examination, NBC will review asset classification processes and policies and may classify assets in accordance with the provisions set under this Prakas. The assets classified during such a process shall remain in the categories assessed by the NBC until all the conditions for re-classification are met. The Board of Directors and Senior Management should swiftly take all measures to be fully compliant with the regulatory requirements, including possible revision of policies, procedures and processes.

Article 17

The External Auditors (Certified Public Accountants) are required to review the asset classification policies, procedures and processes in the course of their periodic due diligences. They shall assess, based on their investigations, internal compliance with the policies and rules set by the Board of Directors and Senior Management as well as the overall quality of the asset classification performed at the banks.

Based on their investigations, External Auditors shall make a judgment on accuracy of recognized income, on adequacy of provisioning performed, on quality and independence of collateral appraisals performed externally and internally. They should document any material element that has an impact on recognized income and on the solvency condition of the bank. Special attention shall be paid to asset classification related to loans and facilities extended to related parties and affiliates; those should lead to specific comments in the reports issued and sent to the NBC / Banking Regulatory Authority.

Article 18

The Internal Audit shall perform periodic reviews of the overall portfolio. Such reviews shall be carried out at least once a year in a comprehensive manner. Where such reviews are performed more frequently, they might then be performed by making use of sampling techniques. However, the bigger exposures shall be systematically reviewed.

Internal Audit shall assess, based on its own independent investigations, internal compliance with the policies and rules set by the Board of Directors and Senior Management as well as the overall quality of the asset classification performed at the bank.

Based on its investigations, Internal Audit shall make a judgment of the accuracy of recognized income, on adequacy of provisioning performed, on quality, the selection and the effectiveness of institution’s rights on pledged assets for collateral accepted as a credit risk mitigation element. Any significant issue shall be immediately brought to the Board’s attention and lead to a recommendation of corrective actions to be taken to rapidly solve the raised issues.

Ultimately, Internal Audit shall also judge the quality of the Management Information System designed for credit risk monitoring and decision making purposes as well as the accuracy and timely delivery of data provided to Bank Management.

CHAPTER VII

FINAL PROVISIONS

Article 19

The following regulations:

Prakas B7-00-51 on the Classification of and provisions for bad and doubtful debts, including interests in suspense, dated February 17, 2000,

Prakas B7-02-145 on the Classification of and provisions for bad and doubtful debts, including interests in suspense, dated June 7, 2002,

are hereby repealed.

Article 20

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 21

This Prakas shall take effect from the signing date.

Phnom Penh, 25 February 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-09-020 Prokor

PRAKAS

ON

THE MAINTENANCE OF RESERVE REQUIREMENT AGAINST COMMERCIAL BANKS' DEPOSITS AND BORROWINGS

****

Article 1

Commercial Banks shall maintain reserve requirements against deposits and borrowings at a daily average balance equal to eight percent (8%) in Riels and twelve percent (12%) in foreign currencies with the National Bank of Cambodia.

Article 2

The National Bank of Cambodia will provide interest fees as follows:

- Reserve requirements in Riels equal to 8% will bear interest at zero percent (0%).
- For reserve requirements in foreign currencies equal to 12%: 8% will bear interest at 0%, while the remaining 4% will bear interest at the rate established under the Prakas on Term Deposit Interest Rate Determination, Deposit on Reserve Requirements, and Banks Capital's Guarantee in US Dollars Currencies.

Article 3

The Regulation No B-7-08-063 dated 25 April 2008, of the Maintenance of Reserves Requirement against Commercial Banks' Deposit and Borrowings is hereby repealed.

Article 4

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under NBC's supervisory authority shall strictly implement this Prakas.

Article 5

This Prakas shall have effect from the signing date.

Phnom Penh, 26 January 2009

The Governor

Signed and sealed: **Chea Chanto**

Nº B7-09-075 Prokor

PRAKAS

ON

THE MAINTENANCE OF MINIMUM RESERVE REQUIREMENT

IN BANKS AND FINANCIAL INSTITUTIONS

****

Chapter 1

General Provisions

Article 1

Financial Institutions hereafter called "Institutions" subject to reserve requirements are required to hold sufficient Eligible assets, over the maintenance period, with the Central Bank, to effectively support safe and sound operational liquidity management.

Article 2

For the purposes of the implementation of the present regulation, the following definitions shall apply:

- Base period: a 14 consecutive calendar days period for which deposits and other borrowings subject to reserve requirements shall be reported to the NBC to determine the reserve requirements
- Maintenance period: a 14 consecutive calendar days period during which the institutions subject to the present regulation will have to hold the required reserve assets to comply, in average, with their minimum reserve requirements
- Average deposits and other borrowings base: the total of the 14 amounts reported during the base periods, divided by 14 and that will serve to determine the minimum reserve requirements to be held over the corresponding maintenance period. Average deposits and other borrowings base shall be calculated separately for Riel and for other foreign currencies (USD, etc) in which a financial institution transacts
- Reserve requirement rate: a rate that applies to the average deposits and other borrowings base and that determines the amount of minimum reserves to be held, in average, over the corresponding maintenance period. Reserve requirement rates are determined by the NBC, for Riel and for foreign currencies, and are published by means of an application regulations
- Average minimum reserves holdings: the amount of reserves to be maintained in the form of eligible assets with the NBC in order to comply with the requirements set forth in this regulation. This amount is obtained by adding the amounts held in eligible assets during the 14 days of the maintenance period, the total being then divided by 14. Average minimum reserves holdings shall be calculated separately for Riel and for other foreign currencies (USD, etc) in which a financial institution transacts
- Minimum reserve requirements: amounts determined by multiplying the applicable reserve requirement rate by the average deposits and other borrowings base. These amounts shall be determined before the maintenance period and reported to the NBC in a timely manner. Minimum reserve requirements are recalculated separately every

14 days for both, Riel liabilities being subject to minimum reserves and foreign currency liabilities

- Daily Compulsory Threshold: a minimum of 80 % of the reference minimum reserve requirements shall be maintained every day over the maintenance period on the Institutions' reserve requirement accounts with the Central Bank. This regulatory threshold applies to both minimum reserve requirements, in riel and in foreign currency
- Eligible assets held: amounts of reserve assets held, over the 14 days maintenance period, with the NBC and that will serve to determine the average minimum reserve holdings and to assess compliance with the requirements of the present regulation.
- Eligible assets: required:
    - For Riel (KHR) reserves: balances held with NBC for both the reserve requirement account and clearing account denominated in riel (KHR) over the 14 days maintenance period,
    - For foreign currency (USD, etc): balances held with the NBC on the corresponding FX reserve requirement accounts over the 14 days maintenance period,
- Regulatory reserve requirement reporting: the regulatory reserve requirement reporting consists of two sets of reports:
    - The "base reporting": set of tables to be sent, established in the format as in appendix 1, to the NBC Banking Supervision three (3) days after the end of the base period. This reporting shall reflect daily balances held in liabilities subject to reserve requirements, the minimum reserve requirements, the minimum threshold (80 %) and shall be established separately for Riel and for each FX currency;
    - The "maintenance reporting": set of tables to be sent, established in the format as in appendix 1, to the NBC Banking Supervision three (3) days after the end of the maintenance period. This reporting shall reflect daily balances held in eligible assets with the NBC. It shall be established separately for Riel and for each FX currency and shall evidence permanent compliance with the minimum threshold of 80 %.

Chapter 2

Reserve Requirements

Article 3

Reserve requirements are both a monetary policy implementation tool and a banking supervision requirement. Reserve requirement rates are subject to changes that might be required by policy implementation purposes and global economic circumstances. Therefore, reserve requirement rates are determined by the NBC and are notified by means of application Prakas.

Article 4

Institutions shall establish and implement appropriate and prudent liquidity risk management policies aimed at achieving compliance with the requirements set forth in this Prakas.

Chapter 3

Eligible assets that can be held against minimum reserve requirements

Article 5

To comply with their minimum reserve requirements, institutions shall hold, on average, sufficient balances of eligible assets with the Central Bank.

Article 6

Cash on hands is not considered as an eligible reserve asset to ensure compliance with minimum reserve requirement holdings.

Assets eligible for maintenance of reserves required are limited to:

- Daily balances held at the Central Bank on the Institutions' reserve requirement and clearing accounts, for riel (KHR) required average reserve holdings, and
- Daily balances held at the Central Bank on the Institutions' reserve requirement accounts, denominated in FX currency (USD, etc), for required average reserve holdings in FX currency.

Chapter 4
Base Period and Maintenance Period

Article 7

The reserve requirement system relies on two distinct periods of 14 calendar days each: the "base period" and the "maintenance period".

Article 8

Base period is a 14 calendar days period for which calculated daily average deposits and other borrowings subject to daily average reserve requirements and daily compulsory thresholds shall be reported to the NBC to determine the reserve requirements. The amounts of average reserves that will be required over the maintenance period that follows are determined by applying the current applicable reserve requirement rates to the average deposits and other borrowings base observed during the base period.

Institutions shall make the "base reporting" available to the NBC no later than three (3) days after the last day of the base period.

Article 9

The maintenance period starts the fourth day after the last day of the base period.

The maintenance period is a period of two weeks, during which the institutions subject to the present regulation will have to hold the required and eligible assets to comply, over the 14 corresponding days and on average, with their minimum reserve requirements determined over the base period.

Financial Institutions shall make the "maintenance reporting" available to the NBC no later than 3 days after the last day of the maintenance period.

Chapter 5

Average Minimum Reserve Holdings

Article 10

Since the Eligible Asset Holdings with the NBC are averaged over the maintenance period, the reserve requirement system provides for some flexibility. However, Institutions shall take adequate measures to ensure permanent compliance with the minimum threshold set forth in article 13.

Average Minimum Reserve Asset Holdings except clearing accounts balance against minimum requirements are determined over the corresponding maintenance period. An Institution is in compliance with this Prakas on reserves when the average amount held in eligible asset holdings over the maintenance period is at a minimum equal to or superior to 100% (one hundred percent) of the minimum reserve requirement amount established based on the figures reported for the preceding base period.

Article 11

Since positive balances held by Institutions on their clearing accounts denominated in riel (KHR) are eligible assets for compliance with minimum reserve requirements in riel (KHR), such balances will be added up daily, over the maintenance period, with the reserve requirement account balances. The average amount of balances is obtained by dividing the aforementioned total by 14, and shall be compared to the minimum reserve requirement amount to be complied with.

Article 12

Balances held on clearing accounts opened in FX currency are not eligible assets that can be held against FX denominated minimum reserve requirements.

Chapter 6

Minimum Threshold of Reserve Holdings and Reserve Deficiencies

Article 13

Although the averaging process over the 14 days allows for some flexibility, Institutions shall maintain permanently, over the 14 days maintenance period, a minimum of 80 % of the minimum reserve requirements as determined over the corresponding base period on their reserve requirement accounts for both, riel (KHR) and FX currency (USD, etc).

This 80% Compulsory Threshold shall be complied with on a daily basis, throughout the maintenance period, by maintaining at least an equivalent amount on the Reserve accounts (KHR and USD) at the NBC.

Although balances held on the Clearing Account are eligible reserve assets for KHR, they shall not be added to the Reserve Account Balances for the purposes of complying with the Daily Compulsory Threshold of 80%.

Article 14

Breaches of the daily 80% minimum thresholds and insufficient average minimum eligible holdings over a given maintenance period shall be considered reserve deficiencies and will be liable to sanctions and supervisory actions issued by the NBC against the contravening Institutions.

Chapter 7

Penalties and Supervisory Actions

Article 15

Breaches of the daily compulsory thresholds of 80 % shall be fined. The fine shall be 2% (two percent) of the insufficiency observed (80 % of reference requirement minus effective holdings on the corresponding reserve requirement account) for the first breach over a given maintenance period. In case of repeated deficiencies over several consecutive maintenance periods this penalty rate shall be brought up to 4 %.

Article 16

Deficiencies due to insufficient average reserve asset holdings over a given maintenance period shall incur to a penalty equal to 2% (two percent) of the insufficiency observed, determined by the difference between the minimum average reserve requirement applicable over the maintenance period and the corresponding average reserve asset holdings. The penalty rate shall be increased up to 4% in the consecutive period.

Article 17

Since daily compulsory thresholds breaches and reserve insufficiencies can point at managerial issues and / or at actual and potential liquidity issues, the NBC shall consider all appropriate supervisory actions to correct the situation and make use of its sanctions powers subsequently (article 52 of the Law on Banking and Financial Institutions).

Chapter 8

Transitional measures

Article 18

The procedure describing the transition from initial reserve requirement system to the new reserve requirement system addressing in this Prakas shall be provided in appendix 2 of this Prakas.

Chapter 9

Final Provisions

Article 19

The following Prakas and Circulars are hereby repealed:

- Prakas on the Maintenance of Reserves against Deposits and Other Borrowings by a Financial Institution N° B7-93-282 R2 dated December 30, 1993
- Circular on the Methods of Maintenance of Required Reserves against Deposits and Other Borrowings by a Financial Institution and Their Reports N° B7-93-287-C1 dated December 30, 1993
- Circular on Base Period, Deposited Period, and Reporting Date N° B7-08-02 CR dated December 19, 2008.

Article 20

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under NBC's supervisory authority shall strictly implement this Prakas.

Article 21

This Prakas shall have effect from the signing date.

Phnom Penh, 25 February 2009

The Governor

Signed and sealed: **Chea Chanto**

The maintenance of Minimum Reserve Requirement in

Banks and Financial Institution Report

******

1- Reporting related to the base period

This report details, by currency, daily customer deposits balances and other liabilities held over the base period, which is subject to minimum reserve requirements for the maintenance period and corresponding 80% thresholds.

This base period regulatory reporting shall be made available to the National Bank of Cambodia no later than 3 days after the end of the base period:

- Table 1A: Base period for reserve requirement in KHR
- Table 1B: Base period for reserve requirement in USD and other foreign currencies converted into USD. This table is used to sum up by day, and by currency, the liabilities on which reserve requirements are required. This summary report shall be supplemented by as many detailed tables as required by the number of foreign currencies in which the reporting institutions actually operate:

    - Table 1B-01: Base period for reserve requirements in USD.
    - Table 1B-02: Base period for reserve requirement in EUR converted into USD using exchange rate, published by the NBC.
    - Table 1B-03: Base period for reserve requirement in THB converted into USD using exchange rate, published by the NBC.
    - Table 1B-04: Base period for reserve requirement in different currencies converted into USD is an additional table that can be used for reporting other liabilities held in different currencies in which the reporting institution transacts.

2- Reporting related to the maintenance period

This report provides that daily balances held in eligible assets with the National Bank of Cambodia, and the possible breaches of daily compulsory thresholds through the averaging of the daily reserve holdings.

The institutions subject to reserve requirements shall report to the NBC within 3 days starting from the end of maintenance period.

- Table 2A: Maintenance period report for reserve requirement in KHR. This report is used to calculate daily minimum reserve requirement and the compulsory threshold (80%) as copied out from the report (Table 1A)
- Table 2B: Maintenance period from Reserve Requirement in USD.

Report of Base Period on Reserve Requirement in Riel

****

Name of Bank: **Table: 1A**
Base Period:
Maintenance Period:
Reporting Period:

(Riel in Millions)

Date of Base Period	Deposits and other borrowings base in Riel					
	Demand deposit	Saving Deposit	Term Deposit	Other Deposits	Other liabilities	Total
	1	2	3	4	5	6=1+2+3+4+5
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
Total	-	-	-	-	-	-
Daily Average	-	-	-	-	-	-
Reserve Requirement for maintenance period:						
Reserve Requirement Rate (8%)						0.08
Minimum Reserve Requirement in Riel						-
Daily compulsory threshold (80%)						-

Manager Checked By Reporting date:
Prepared By

Report of Base Period on Reserve Requirement in USD and

Other Currencies Converted into USD

****

Table: 1B

Name of Bank:
Base Period:
Maintenance Period:
Reporting Period:

(In USD)

Date of Base Period	Deposits and other borrowings base in USD	Deposits and other borrowings base in EUR converted into USD	Deposits and other borrowings base in THB converted into USD	Deposits and other borrowings base in ……converted into USD*	Total Deposits and other borrowings base converted into USD
	1	2	3	4	5=1+2+3+4
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total	-	-	-	-	-
Daily Average	-	-	-	-	-
Minimum Reserve Requirement (Daily average x 12%)	-	-	-	-	-
Reserve Requirement for maintenance period:					
Minimum Reserve Requirement in USD (Form: 1B01+1B02+1B03+1B04+….)					
Daily compulsory threshold (80%)					-

* Note:

There will be additional columns as needed for each of the Foreign Currencies the Institutions transact in.

Manager Checked By Reporting date:
Prepared By

Report of Base Period on Reserve Requirement in USD

****

Name of Bank: **Table: 1B-01**
Base Period:
Maintenance Period:
Reporting Period:

(In USD)

Date of Base Period	Deposits and other borrowings base in USD					
	Demand deposit	Saving Deposit	Term Deposit	Other Deposits	Other liabilities	Total
	1	2	3	4	5	6=1+2+3+4+5
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
					-	-
Total	-	-	-	-	-	-
Daily Average	-	-	-	-	-	-
Reserve Requirement for maintenance period:						
Reserve Requirement Rate (12%)						0.12
Minimum Reserve Requirement in USD						-
Daily compulsory threshold (80%)						-

Reporting date:

Manager Checked By Prepared By

Report of Base Period on Reserve Requirement in EUR Converted into USD

****

Name of Bank: **Table : 1B-02**
Base Period:
Maintenance Period:
Reporting Period:

(In EUR)

Date of Base Period	Deposits and other borrowings base in EUR							
	Demand deposit	Saving Deposit	Term Deposit	Other Deposits	Other liabilities	Total	Daily Ex.Rate EUR/USD	Total Converted into USD
	1	2	3	4	5	6=1+2+3+4+5	7	8=6/7
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
Total	-	-	-	-	-	-		$0.00
Daily Aver.	-	-	-	-	-	-		$0.00

Reserve Requirement for maintenance period:	
Reserve Requirement Rate (12%)	0.12
Minimum Reserve Requirement in converted into USD	$0.00
Daily compulsory threshold (80%)	$0.00

Reporting date:

Manager Checked By Prepared By

Report of Base Period on Reserve Requirement in THB Converted into USD

****

Name of Bank: **Table : 1B-03**
Base Period:
Maintenance Period:
Reporting Period:

(In THB)

Date of Base Period	Deposits and other borrowings base in THB							
	Demand deposit	Saving Deposit	Term Deposit	Other Deposits	Other liabilities	Total	Daily Ex.Rate THB/USD	Total Converted into USD
	1	2	3	4	5	6=1+2+3+4+5	7	8=6/7
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
Total	-	-	-	-	-	-		$0.00
Daily Aver.	-	-	-	-	-	-		$0.00
Reserve Requirement for maintenance period:								
Reserve Requirement Rate (12%)								0.12
Minimum Reserve Requirement in converted into USD								$0.00
Daily compulsory threshold (80%)								$0.00

Reporting date:

Manager Checked By Prepared By

Report of Base Period on Reserve Requirement in….. Converted into USD*

****

Name of Bank: **Table : 1B-04**
Base Period:
Maintenance Period:
Reporting Period:

(In …..)

Date of Base Period	Deposits and other borrowings base in …..							
	Demand deposit	Saving Deposit	Term Deposit	Other Deposits	Other liabilities	Total	Daily Ex.Rate …../USD	Total Converted into USD
	1	2	3	4	5	6=1+2+3+4+5	7	8=6/7
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
						-		-
Total	-	-	-	-	-	-		$0.00
Daily Aver.	-	-	-	-	-	-		$0.00

Reserve Requirement for maintenance period:	
Reserve Requirement Rate (12%)	0.12
Minimum Reserve Requirement in converted into USD	$0.00
Daily compulsory threshold (80%)	$0.00

* Note:
There will be additional columns as needed for each of the Foreign Currencies the Institutions transact in.

Reporting date:
Manager Checked By Prepared By

Report of Maintenance Period on Reserve Requirement in KHR

****

Name of Bank: **Table : 2A**
Base Period:
Maintenance Period:
Reporting Period:

(Riel in Million)

Date of Maintenance period	Reserve Requirement Account Balance in KHR at NBC	Minimum threshold of reserve maintenance (80%)	Daily Compulsory Threshold Surplus/(Deficit):	Clearing Account Balance in KHR at NBC	Daily Reserve Requirement and Clearing Account balance at NBC
	1	2	3=1-2	4	5=1+4
Total	0.00			0.00	0.00
Daily Average	0.00			0.00	0.00
Minimum Reserve Requirement (Form: 1A):					0.00
Reserve Requirement Surplus:					-
Reserve Requirement Deficit:					-

Reporting date:

Manager Checked By Prepared By

Report of Maintenance Period on Reserve Requirement in USD

****

Name of Bank: **Table : 2B**
Base Period:
Maintenance Period:
Reporting Period:

(In USD)

Date of Maintenance Period	Reserve Requirement Account Balance in USD at NBC	Minimum threshold of reserve maintenance (80%)	Daily compulsory threshold Surplus/(Deficit):
	1	2	3=1-2
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
			-
Total	0.00		
Daily Average	0.00		
Minimum Reserve Requirements (Form: 1B):	-		
Reserve Requirement Surplus:	-		
Reserve Requirement Deficit:	-		

Reporting date:

Manager Checked By Prepared By

Guideline on

The Implementation of Prakas on Minimum Reserve Requirement

For Banks and Financial Institutions

******

1- Base Period Reporting

The first base period will cover 14 calendar days from Tuesday, 17 February 2009 to Monday, 2 March 2009 (included). The first reporting set related to the base period to be considered under the new reserve requirement system will be due to the NBC on Thursday 5 March 2009 at the latest.

The second base period will cover 14 calendar days from Tuesday, 3 March 2009 to Monday, 16 March 2009 (included). The second reporting set related to the corresponding base period will be due latest Thursday 19 March 2009.

The next reports and base periods, all dates will be rolled automatically over 14 calendar days starting from the previous period and reporting deadline.

2- Maintenance Period Reporting

The first maintenance period will cover 14 calendar days from Friday, 6 March 2009 to Thursday, 19 March 2009 (included). The first reporting set related to the maintenance period corresponding to the first base period will be due to the NBC on 23 March 2009 at the latest.

The second maintenance period will cover 14 calendar days from Friday, 20 March 2009 to Thursday, 2 April 2009 (included). The second reporting set related to the corresponding maintenance period will be due latest 6 April 2009 because 5 April 2009 being on Sunday, so the due date is on Monday, 6 April 2009.

For next reports and maintenance periods, all dates will be rolled automatically over from 14 days starting from the previous period and reporting deadline.

3- Transitional Measures for the Maintenance of the Minimum Reserves

Institutions shall maintain, in average, their minimum reserves based on the figures reported for the base period going from Friday, 9 January 2009 to Thursday, 5 February 2009 under the previous applicable reserve requirement system by applying the applicable reserve requirement rates until Thursday, 5 March 2009 (included).

On Friday, 6 March 2009, institutions will have to comply with new reserve requirement (daily compulsory threshold of 80% and in average over the 14 days maintenance period for the minimum reserve requirement). The corresponding requirements are the ones corresponding to the first base period under the new system, going from Tuesday, 17 February 2009 to Monday, 2 March 2009 (included) using Thursday, 5 March 2009 backward of 17 days as the starting point.

4- Public Holiday

Should the regular reporting deadlines correspond to a weekend or public holiday, institutions shall send their reports to the NBC at the latest the next working day following such public holiday.

Phnom Penh, ……...

Schedule of Base, Maintenance and Reporting Date

In order to harmonize the implementation of reserve requirement for banking system and to have a basis for determining each date, the National Bank of Cambodia issued this schedule as appendix to Prakas No. B-7-09-075 Prakor dated 25 Frebruary 2009 on the Minimum Reserve Requirement System against Commercial Banks' Deposits and other Borrowings.

Both base and maintenance period consist of 14 days. The first base period starts from 17 February 2009 and the first maintenance period starts from 6 March 2009.

The National Bank of Cambodia determines the dates as following:

No	Base Period	Reporting Deadline	Maintenance Period	Reporting Deadline
1	From 17-02-2009 to 02-03-2009	05-03-2009	From 06-03-2009 to 19-03-2009	22-03-2009
2	From 03-03-2009 to 16-03-2009	19-03-2009	From 20-03-2009 to 02-04-2009	05-042009
3	From 17-03-2009 to 02-04-2009	02-04-2009	From 03-04-2009 to 16-04-2009	19-04-2009
4	From 31-03-2009 to 13-04-2009	16-04-2009	From17-04-2009 to 30-04-2009	03-05-2009
5	From 14-04-2009 to 27-04-2009	30-04-2009	From 01-05-2009 to 14-05-2009	17-05-2009
6	From 28-04-2009 to 11-05-2009	14-05-2009	From 15-05-2009 to 28-05-2009	31-05-2009
7	From 12-05-2009 to 25-05-2009	28-05-2009	From 29-05-2009 to 11-06-2009	14-06-2009
8	From 26-05-2009 to 08-06-2009	11-06-2009	From 21-06-2009 to 25-06-2009	28-06-2009
9	From 09-06-2009 to 22-06-2009	25-06-2009	From 26-06-2009 to 09-07-2009	12-07-2009
10	From 23-06-2009 to 06-07-2009	09-07-2009	From 10-07-2009 to 23-07-2009	26-07-2009
11	From 07-07-2009 to 20-07-2009	23-07-2009	From 24-07-2009 to 06-08-2009	09-08-2009
12	From 21-07-2009 to 03-08-2009	06-08-2009	From 07-08-2009 to 20-08-2009	23-08-2009
13	From 04-08-2009 to 17-08-2009	20-08-2009	From 21-08-2009 to 03-09-2009	06-09-2009
14	From 18-08-2009 to 31-08-2009	03-09-2009	From 04-09-2009 to 17-09-2009	20-09-2009
15	From 01-09-2009 to 14-09-2009	17-09-2009	From 18-09-2009 to 01-10-2009	04-10-2009
16	From 15-09-2009 to 28-09-2009	01-10-2009	From 02-10-2009 to 15-10-2009	18-10-2009
17	From 29-09-2009 to 12-10-2009	15-10-2009	From 16-10-2009 to 29-10-2009	01-11-2009
18	From 13-10-2009 to 26-10-2009	29-10-2009	From 30-10-2009 to 12-11-2009	15-11-2009
19	From 27-10-2009 to 09-11-2009	12-11-2009	From 13-11-2009 to 26-11-2009	29-11-2009
20	From 10-11-2009 to 23-11-2009	26-11-2009	From 27-11-2009 to 10-12-2009	13-12-2009
21	From 24-11-2009 to 07-12-2009	10-12-2009	From 11-12-2009 to 24-12-2009	27-12-2009
22	From 08-12-2009 to 21-12-2009	24-12-2009	From 25-12-2009 to 07-01-2010	10-01-2010
23	From 22-12-2009 to 04-01-2010	07-01-2010	From 08-01-2010 to 21-01-2010	24-01-2010

* Note: Should the regular reporting deadlines correspond to public holiday, Banks shall send their reports to NBC latest the next working day following such public holiday.

This schedule shall have effect from the signing date.

Banking Supervision

Nº B7-010-182 Prokor

PRAKAS

ON

THE CALCULATION OF BANKS' NET WORTH

****

Article 1.

Banks are required to calculate their "Net Worth" in compliance with the provisions set forth in this Prakas. All regulatory ratios and limits referring to "Net Worth" shall be calculated in full accordance with the calculation rules. In addition, paid-in capital or endowment and "net worth" shall be equal or superior to the minimum capital requirement applying to them under the applicable regulations.

Article 2.

Banks shall establish internal control policies, procedures and processes aimed at ensuring that they permanently comply with all the regulatory requirements related to minimum solvency ratio and to limitations referring to "Net Worth".

Article 3.

The NBC might impose the banks specific calculations, especially in the form of subtractions of additional items from their "Net Worth", notwithstanding the general calculation rules set forth in this Prakas. Such specific treatments aim at restoring compliance with all regulatory requirements and at reflecting actual or potential risk for prudential purposes.

Such specific treatments shall be notified in writing by the NBC and immediately implemented by banks until otherwise instructed, in writing as well.

Article 4.

The Total Net Worth consists of two separate components:

- Tier 1 capital (Core capital), and
- Tier 2 capital (Supplementary capital).

Tier 2 capital shall not exceed 100 % of Tier 1 capital or not more than 50 % of total net worth.

Prior to issuing their regulatory reports, bank shall implement checks and controls aimed at ensuring compliance with this limit.

Should Tier 2 capital exceed Tier 1 capital, the NBC shall take any appropriate actions.

Article 5.

Tier 1 capital shall be calculated as follows:

I. Sub-total A : (Items to be added)

- Paid-in capital or endowment
- Reserves, other than revaluation reserves
- Premiums related to capital (share premiums)
- Retained earnings, up to 20 % of Sub-Total A. Above 20 % of Sub-total A, banks shall consider making a decision about reserving the corresponding amount
- Audited net profit for the last financial year.
- In addition, the NBC might approve other items to be included into Sub-total A, such as profits as recorded on intermediate dates, provided that 1) such profits be determined after posting all the charges related to the corresponding period (allowances for depreciations, provisions and net value adjustments), 2) such profits be calculated net of foreseeable taxes and dividends, and 3) such net profits have been certified by the external auditors.

II. Sub-total B : (Items to be subtracted)

- Own shares held by bank at their net book value
- Accumulated losses
- Intangible assets (such as goodwill ... etc.)
- For shareholders, directors and any other related party according to the definition established in the Law on Banking and Financial Institutions:

  - Unpaid portion of capital;
  - Loans, overdrafts and other advances;
  - Debt instruments held by the bank and bearing the signature of the persons concerned, at their net book value;

- Losses determined on dates other than regular year-ends, including all the provisions for non performing debts and securities as well as any other value adjustments for depreciations in the corresponding period of time. Provisioning and depreciations shall be performed in compliance with the regulations based on prudent appraisals of risks involved.

Tier 1 capital = Sub-total A - Sub-total B

Article 6.

Tier 2 Capital shall not exceed 100 % of Tier 1 Capital for the calculation of Total Net Worth.

Should Tier 2 Capital exceed Tier 1 Capital as calculated in Article 5 of this Prakas, banks shall not take the amount exceeding 100 % of Tier 1 Capital to include in Total Net Worth calculation.

III. Sub-total C : (Items to be added)

- Reevaluation reserves with the prior approval, in writing, from the NBC;

- Provisions for general banking risks with the prior agreement of the NBC
- General provision of 1% foreseen in Prakas on Asset Classification and Provisioning in Banking and Financial Institutions
- Subordinated debt instruments, which shall not exceed 50% of Tier 1 Capital, provided that they fulfill all the conditions set forth in Article 7 below;
- Other items with the prior approval of the NBC in writing.

IV. Sub-total D : (Items to be subtracted)

- Equity participation(s) in banking or financial institutions, including securities companies, at their net book value
- Other items, such as deferred charges.

Tier 2 Capital = Sub-total C - Sub-total D

Article 7.

7.1- Subordinated Debt shall have supported documents including contracts as well. Such contracts shall clearly specify the subordination of subscribers, with a ranking just above regular shareholders, maturity and other conditions.

7.2- The subordinated debt shall be included into Tier 2 capital after obtaining prior approval in writing from the National Bank of Cambodia.

7.3- Bank shall not reimburse subordinated Debt to investors before obtaining prior approval in writing from the NBC. Should a bank decide to reimburse such subordinated debt without the prior approval, such reimbursement could be opposed either by the bank's non-subordinated creditors or by the Banking Supervisory Authority. In this case, the reimbursed subordinated debt holders cannot consider themselves as freed of their liability under such circumstances and could be required to return the funds to the bank.

7.4- For subordinated debt instruments issued with a contractual maturity at the origin in the issuance and subscription contract, banks are required to amortize the corresponding subordinated debt by one fifth ($1/5^{th}$) starting over the five years preceding the contractual maturity. Such amortizations shall be performed in a cumulative manner time going so that the amount accounted for under Sub-total C equals zero at contractual maturity.

7.5- For subordinated debt instruments issued for an undefined period of time, the bank shall inform the NBC at least five years before of its intentions to reimburse such subordinated debt. Provided that the NBC does not object to such reimbursement, the bank shall amortize the corresponding subordinated debt by one fifth ($1/5^{th}$) starting over the five years preceding the date for effective reimbursement.

7.6- The NBC shall approve or object of effective reimbursement of subordinated debt in light of the bank's overall financial condition.

Article 8.

The Prakas on Commercial Bank' Minimum Capital B7-00-39 Prokor dated on February 09, 2000 and the Prakas on the Calculation of Banks' Net Worth B7-00-47 Prokor dated on February 16, 2000 shall be repealed.

Article 9.

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 10.

The present Prakas shall take effect from this signing date.

Phnom Penh, 15 October 2010

The Governor

Signed and Sealed : **Chea Chanto**

Nº B7-011-001 CL

CIRCULAR
ON
THE IMPLEMENTATION OF PRAKAS
ON THE CALCULATION OF BANKS' NET WORTH

****

The present Circular sets forth for the rules and principles for implementation on the Prakas B-7-010-182 Prokor dated 15 October 2010 on the Calculation of Banks' Net Worth hereinafter called "Prakas" that introduces a Tier 1 and Tier 2 regulatory capital structure, in accordance with applicable international standards. Under the new framework, Tier 2 capital will be limited to 100% of Tier 1 capital and, to prevent from regulatory capital volatility, the share of retained earnings within Tier 1 capital is limited to 20% of total Tier 1 capital (core regulatory capital or "hard capital"). In addition, the new regulatory framework allows for the accounting for the 1% General Provision is actually as a regulatory capital element (under Tier 2 capital) since this General provision is actually a general reserve that is not set up against a specific and identified risk but reserves as a general solvency buffer.

The institutions subject to the new Prakas on Regulatory Capital Calculation are required to fully comply with all the rules and principles set forth by the regulation itself and the implementation principles and requirements established by the present implementation circular, latest 31 May 2011.

1. Internal Controls and Permanent Compliance

The institutions subject to the new regulation shall establish policies, procedures and processes aimed at ensuring compliance with all solvency requirements and limits established against regulatory capital on a permanent basis. More specifically, individual(s) in charge of compliant checks and controls shall be designated and the overall policies, procedures and processes shall be documented.

Forward-looking, the potential impacts of strategic business development plans shall be assessed and, where necessary, adjustments shall be performed to prevent from being faced with a solvency issue or a regulatory capital. Periodically, the effectiveness of corresponding policies, procedures and processes shall be reassessed by the Audit Committee.

2. Reporting Requirement

The institution subject to the regulation shall report on a monthly basis their regulatory capital, solvency ratio and any other regulatory exposure vs. limits by making use of the new reference regulatory capital no later than 31 May 2011.

For the purpose of their regulatory reports, institutions shall make use of the revised reporting format attached.

3. Prudential Limitation of Retained Earnings and Other Prudential Subtractions

Retained earnings being "distributable" in the form of dividends paid out to the shareholders, any such decision is likely to introduce volatility in regulatory capital. Retained earnings are limited to 20% of Tier 1 capital or core regulatory capital (sub-total A in article 5 of the Prakas) before subtraction of elements listed under II. Sub-total B (Items to be subtracted from Core Regulatory Capital). In other words, retained earnings cannot exceed 25% (one fourth, ¼) of all Tier 1 eligible core regulatory capital elements, other than retained earnings.

In addition, the NBC might, in accordance with the provisions set forth by the article 3 of the Prakas, notify further subtractions to be performed from Tier 1- core regulatory capital, notably- but not limit to- with the aim of restoring analytical compliance with all such regulatory requirements. In addition, based on on-site examinations' findings, the NBC might require that additional provisions required due to adverse assets' classification performed be subtracted from regulatory equity. Such notifications shall be performed in writing by Banking Supervision and are to be complied with until explicitly lifted, in writing as well, by the National Bank of Cambodia.

The corresponding subtraction(s) shall be clearly shown on the regulatory calculation sheet by making reference to the injunction/notification issued against the bank by the NBC. In case the required prudential treatments and subtractions were not complied with, the NBC shall consider taking sanctions and actions against contravening institutions and, if necessary, against management.

Such prudential treatments and subtractions required by the NBC shall also be brought immediately to the attention of the External Auditors, the Audit Committee members and the individual(s) in charge of compliance mention in article 1,1 above, under the responsibility of the Board.

4. Transitional Measures

For the effective implementation of the new Prakas on Regulatory Capital Calculation, the institutions will have to convene a General Shareholders' Assembly before 30 April 2011 to make decision on the allocation of accumulated and audited retained earnings, in light of the regulatory limit related to retained earnings as part of Tier 1 regulatory capital.

In light of the financial condition of the institution and light of the business development plans and their forecasted impacts on the institution's solvency condition and ration, the General Shareholders' Assembly will have to decide upon the allocation:

- In the form of transfer to a non distributable reserve account,
- In the form of an incorporation to paid-in capital,
- In the form of a dividends' distribution,
- Or any combination of the three above.

5. Proposal for Allocation of Retained Earnings

Institution's management will be required to submit the National Bank of Cambodia-the agenda of the General Shareholders' Assembly 10 (ten) working days ahead from the effective convention date of the said General Shareholders' Assembly. This agenda

should notably detail the resolution (s) that will be submitted to the shareholders for adoption and shall detail the proposals with regard to the repartition or reallocation of retained earnings.

Should the suggested resolution(s) be of the prudential concern for the NBC, management would be notified in writing, within 5 (five) working days from reception of the General Shareholders' Assembly agenda and resolution proposals, of any supervisory concern or objection due to financial condition, and more specifically, the solvency condition of the institution. Such supervisory and prudential objection or injunction, if any, shall be brought to the shareholders' attention by management.

6. Effective Implementation of the New Calculation Methodology

At the first regulatory "cut-off" date after the convention of the General Shareholders' Assembly- which shall be convened no later than 31 May 2011- making decision on the financial statements and profits and losses for the business year 2010, institutions will have to make use of the new calculation methodology and to make use of the new attached reporting format.

No later than 31 May 2011, institutions disclosing retained earnings in amounts exceeding 20% of core regulatory capital (Tier 1) will be no more allowed to incorporate the exceeding portion of retained earnings in their regulatory capital calculations. Should nevertheless institutions continue to report excess retained earnings, the NBC shall adjust the calculations and drop the corresponding excess and consider issuing sanctions and actions against the institution and management.

7. Reporting Requirement

In order to support the first regulatory report related to regulatory capital's calculation, which shall be performed no later than 31 May 2011, management is required to issue to NBC an authenticated set of the General Shareholders' Assembly's minutes that clearly shows the allocation decision approved for the allocation of accumulated and audited retained earnings, with regard to the options discussed in article 4 above.

After each General Shareholders' Assembly convened for deciding upon the previous business year's financial statements, dividends' distribution and retained earnings allocation, management shall issue a set of authenticated meeting minutes that clearly shows decisions made by shareholders with regarded to profits' and retained earnings' allocation or incorporation into paid-in capital as well as any other resolution(s) approved that would have direct or indirect impacts on the institution's solvency condition, regulatory capital structure and solvency ratio.

The corresponding report shall be issued to the National Bank of Cambodia- Banking Supervision- no later than 31 May.

8. Effective Date

This present Circular will enter into effect from this signing date.

Phnom Penh, 23 February 2011

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-02-218 Prokor

PRAKAS
ON
ADOPTION AND IMPLEMENTATION OF CHART OF ACCOUNTS FOR BANKING AND FINANCIAL INSTITUTIONS

****

Article 1

To adopt Chart of Accounts and Disclosure Requirements for implementation and compliance by all banks and financial institutions licensed by the National Bank of Cambodia (NBC) as per annex attached.

Article 2

Implementation of the Chart of Accounts and Disclosure Requirements must be commenced from 1 January 2003.

Article 3

All financial statements and other reports including monetary reports submitted to the (NBC) for the month of January 2003, and all subsequent periods must be completed based upon the Chart of Accounts and Disclosure Requirements.

Article 4

The NBC reserves the right to add or delete account numbers when it requires.

Article 5

All banks and financial institutions must also implement and comply with new Cambodian Accounting Standards (CASs) as they are issued by the Ministry of Economy and Finance.
In the event the accounting requirements imposed by the NBC are different from the CAS, the requirements of the NBC will prevail and take precedence over the CAS.

Article 6

All provisions contrary to those of the present Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all departments of the NBC and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 8

The present Prakas shall have effect from the signing date.

Phnom Penh, 25 December 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-03-01 CL

CIRCULAR
ON
DAILY ACCRUALS AND AMORTIZATIONS FOR
COMMERCIAL AND SPECIALIZED BANKS

****

With reference to Prakas B7-02- 218 Prokor dated December 25, 2003 on the Adoption and Implementation of Chart of Account for Banking and Financial Institutions.

The Basis for accounting has been recognized as a means for providing more accurate, timely and useful information to all interested users. Daily accruals and amortizations would facilitate improved supervisory data and processes as well as provide the basis for a much improved management information system for bankers, especially the implementation of the uniformed Chart of Account in a proper manner and transparency. The National Bank of Cambodia notifies the following:

1. All commercial and specialized banks shall calculate and post accrued interest and amortization of assets on a daily basis
2. Daily accruals and amortization shall be required for full implantation of the Chart of Account.

This circular shall enter into effect from the signing date.

Phnom Penh 01 October 2003

BANK SUPERVISION DEPARTMENT

Signed: **Phan Ho and Neav Chanthana**

Nº B7-04-204 Prokor

PRAKAS
ON
ANNUAL AUDIT OF FINANCIAL STATEMENT OF BANKS AND FINANCIAL INSTITUTIONS

****

Article 1

Bank and Financial Institutions are required to produce annual audit financial statements and submit to National Bank of Cambodia no later than 31 March of each calendar year. Authorized external auditors are required to audit and give an opinion on financial statements of Bank and Financial Institutions.

Article 2

Bank and Financial Institutions must produce their annual financial reports to be audited in accordance to the appendixes attached.

Article 3

Report and accounts stipulated as per attached guideline shall be published starting from 2005 and must be no later than June 30 of each calendar year. Published report and accounts shall be readily available to customers and the public.

Article 4

Bank and Financial Institutions that are not compliant with this regulation will be penalized according to article 52 of the Law on Banking and Financial Institutions.

Article 5

The Direction General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions, and the Representative Offices of foreign banks under the National Banks of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall have effect from the signing date.

Phnom Penh, 29 December 2004

The Governor

Signed and sealed: **Chea Chanto**

Appendix 1

The Financial Statement

The financial statements must be prepared in accordance with Cambodian Accounting Standards (CAS) and National Bank of Cambodia (NBC) guidelines. In cases, where current CAS do not stipulate the accounting treatment and/or disclosure requirements, recourse should be made to the International Financial Reporting Standards (IFRS). However, in all situations where a conflict exists between NBC guidelines and CAS or IFRS, NBC guidelines shall take precedence.

1. BALANCE SHEET

1.1 Banks should disclose the following minimum information in the balance sheet or in the notes to financial statements:

Assets

Cash
Balances with central bank
Balances with banks and other financial institutions
Placements with, and loans to, banks and other financial institutions
Royal Government treasury bills and securities
Other Government treasury bills and securities
Trading securities
Bills receivable
Loans and Advances to customers (note 1.5)
Provisions for Bad and Doubtful Debts
- Specific
- General

Investment securities held (to analyze into equity or debt)
Other assets (to provide a breakdown of major items) Due from holding company
Due from subsidiary companies (to analyze into equity or debt)
Investments in associated companies (to analyze into equity or debt securities)
Fixed assets (note 1.4)
Properties foreclosed (note 1.4)

Liabilities

Deposits and balances of banks
Deposits of non-bank customers
Provision for taxation
Bills and drafts payable
Other borrowings
Other liabilities (to provide a breakdown of major items)
Dividend payable
Due to holding company
Due to subsidiary companies Debt Securities Issued (note l.3)
Subordinated Debts

Capital & Reserves

Contributed Capital (Foreign Branch)
Share capital (authorized and issued and fully paid)
Subordinated Loans
Reserves (to analyze into the various types of reserves) including revaluation reserve (note 1.2)
Retained profits/ Accumulated Loss

1.2 Banks should disclose the amount of each type of reserves at the beginning and end of the financial year, and the amount of any transfers to or from each type of reserves during the year.

	Common Stock 4012	General Banking Reserve	Reserves 4052	Revaluation of LTMES	Retained earnings 4070
Opening balance + Charge to reserve-write back from reserves Ending Balance					

1.3 For debt securities issued by the bank with an original maturity of more than one year, banks should disclose the interest rate (for fixed rate securities) or interest fixing method (for floating-rate securities) and repayment date.

1.4 Banks should disclose the market value of quoted investments, bank properties and foreclosed properties. (In accordance with the requirements of the Prakas No B7-0 1-186 Prokor on Fixed Assets of Banks)

1.5 Loans and advances to customers

	Opening balance	Ending balance
Loans to Government Royal Government of Cambodia Other Commercial Loans Overdrafts Short term loans Long term loans Lease Financing Loans to related parties* Other commercial loans		
Consumer Loans Real estate Overdrafts Other consumer loans Total Loans		

* For term "Loans to Related Parties" please refer to the article 49 and 50 in chapter XVI of Law on Banking and Financial Institutions

1.6 Banks should disclose the gross aggregate amount of performing and non-performing loans (secured and unsecured loans), which is defined as loans classified as standard, sub-standard, doubtful and loss in accordance with Prakas

	Ending balance	Opening balance
Standard Loan -Secured -Unsecured Substandard Loans - Secured -Unsecured Doubtful Loans -Secured -Unsecured Loss Loans -Secured -Unsecured		

1.7 Banks should provide a movement schedule showing the balance of provisions at the beginning of the year, the amount charged/released to profit and loss account during the year, the amount utilized to write off bad loans during the year and the balance at the end of the year in respect of:

- Specific provisions for loan losses
- Specific provisions for diminution in value of investments and other assets, and
- General provisions for possible loan losses and other banking risks.

A similar movement schedule for interest-in-suspense should also be provided.

1.8 Assets pledged to third parties as security for liabilities, together with the aggregate amount of the related secured liabilities, should be disclosed.

2. PROFIT AND LOSS STATEMENT

Banks should disclose the following minimum information in the profit and loss statement or in the notes to the financial statements:

Interest income
Interest expense
Net interest income
Other operating income

- Gains (losses) from translation and trading/dealing activities (to analyze into income from trading in foreign exchange, securities and other financial instruments separately)
- Fees and commissions
- Dividends (to analyze into dividend income from subsidiaries, associated companies and other investments separately)
- Rental
- Gains (losses) on disposal of investment securities
- Others

Other operating expenses

- Staff costs (include bonuses)
- Directors' fees and remuneration
- Auditors' remuneration
- Depreciation Amortization
- Maintenance and hire of fixed assets
- Premises expenses (maintenance and insurance)
- Others

- Security expense **(insurance on money** shipping, protection of premises, customers)

Operating profit

Provisions for possible loan losses and diminution in value of other assets

- Specific provisions for loan losses
- Specific provisions for diminution in value of investments and other assets
- General provisions including provisions for possible loan losses and other banking risks
- Recoveries of provisions and write off expensed in previous period
- Amount written off

Share of profits (losses) of associated companies.

Taxation

Extraordinary items

Inappropriate profit brought forward from previous year

Dividend

- Interim
- Proposed final dividend

Transfer to general reserves

Inappropriate profit carried forward

3. CASH FLOW STATEMENT

Banks should prepare a cash flow statement.

4. OFF-BALANCE SHEET ITEMS

Banks should disclose the following off-balance sheet items under three categories:

- Contingent liabilities. Disclose the contract amount for each of the items below or for each of the items under similar classification:
  - Direct credit substitutes
  - Transaction-related contingencies
  - Trade-related contingencies
  - Other contingent liabilities
- Commitments. Disclose the committed amounts to each of the items below:
  - Undrawn credit lines and other commitments to extend credit
  - Undrawn note issuance facilities and revolving underwriting facilities
  - Forward assets purchase/sale and forward deposits placed
  - Other commitments
- Financial derivatives covering foreign exchange, interest rates, and equity, bullion and other commodities, and other related contracts. They include forward sales and purchases of currencies and securities, interest rate and currency swaps, forward rate agreements, and futures and options. Where material, banks should disclose the contract amount, the gross positive and negative mark-to-market value and the effect of legally enforceable netting arrangements for each of the items. Where material, the same information should be provided for commodity and credit derivatives. Segregate transactions on derivatives between hedging transactions and trading transactions

5. ACCOUNTING POLICIES

Banks should disclose significant accounting policies, which have been adopted in the preparation of and presentation of the financial statements. Disclosure of accounting policies should include, but are not limited to the following:

- Basis of recognition of each principal source of income
- Changes in accounting methods during the year; in this case, financial accounts of the previous year must be presented with the new methods.
- Basis for specific provisions for loan losses and general provisions for creditor other banking risks.
- Valuation methods of investment securities, dealing securities and financial derivatives
- Depreciation of fixed assets
- Basis of consolidation
- Translation of foreign currency assets and liabilities.

6. SEGMENTAL INFORMATION

6.1 Banks should analyze loans and advances by the following industry groups (concentration of funding by category):

- Agriculture
- Manufacturing
- Building and construction
- Housing
- Wholesales and retails
- Export
- Import
- Transport, storage and communication
- Services
- Professional and private individuals (except housing loans)
- Others

6.2 Banks should provide a maturity analysis for loans (bank and non-bank) and deposits (bank and non-bank) using the following maturity grouping:

- Maturing within one year
- Over one year but within three years
- Over three years but within five years
- Over five years

The analysis into the relevant maturity groupings should be based on the remaining period to the contractual maturity date on the balance sheet date.

7. SUPERVISORY

Banks should disclose the following information for supervision purposes and this information will not be published for public information.

7.1 Prudential Regulations

- Liquidity Ratio Prakas No B7-00-38 and Prakas No B7-02-187: Prakas on amendment of Prakas No B7-00-38 i. Liquidity management ii. Liquidity position
- Net Worth Prakas No B7-00-47 *[Replaced by B-7-010-182]*

- Solvency Ratio Prakas No B7-00-46
- Provision for bad and doubtful debt Prakas No B7-00-51 *[Replaced by B-7-09-074]*.

7.2 Additional information (appendix 2)

7.3 Financial soundness indicators (appendix 3)
- Capital
- Assets
- Earnings
- Liquidity

7.4 Management letter

Comments by auditors, highlighting any weaknesses found in the course of audit, but not limited to the following areas:

1- All the contracts and agreements signed between bank and shareholders, directors and other related parties.
2- Management changes (senior staff, frequency, reasons, and potential conflict of interests, appointments to the board).
3- New products introduced (Selling T/C, exchange contracts).
4- New fiduciary agreements (New leases, agency agreements with banks).
5- New branches opened (reasons, objectives, staffing).
6- Quality of loan portfolio (concentration of credits, regions, industry, individuals).
7- Investments made/disposed off during the year (reasons, authorized, fully minute at board level).
8- Adequacy of provisions
9- Computer operations (security, backup, staff, efficiency, risks).
10- Disaster Recovery Plans
11- Policies for managing currency risk exposure to currency risk (Quantitative Information)
12- Any other weaknesses, likely to undermine public interest

Appendix 2

Name of Bank……

I - BALANCE SHEET ITEMS **Amount**

(A)-(i) Total Credit Facilities* outstanding graded _____

– Substandard _____

– Doubtful _____

– Bad _____

Less amount estimated to be recoverable _____

Amount estimated to be irrecoverable

(ii) Specific provision for bad and doubtful debts

– Loans and advances _____

– Bills receivable _____

(iii) General Provision for loans

(B)- Short and long term investment securities.

Description	Original Cost	Par Value	Premium Charged to Expense	Discounts Accrued as Income	Diminution in value		Net Book Value	Market Value (Ex-interest in case of debt securities)
					Provision Made	Amount Written off		
(i) Royal Government Treasury bills								
(ii) Other government Treasury bills								
(iii) Investment in Subsidiary Companies								
(iv) Investment in Associated Companies								
(v) Other Investments:								
- Equity Investment								
- Other papers								

* Inclusive of bills discounted

(C) Bank premises and other immovable property: **Amount**

(i) Original cost of property _____

(ii) Amount written off _____

(iii) Provision for depreciation/losses _____

(vi) Market value/Estimated market value

(Indicate date property if applicable was last

valued by professional valuers) _____

To provide list of properties, addresses and other details

(D) Capital reserves:

(i) Share premium reserves _____

(ii) Revaluation reserves _____

(iii) Other capital reserves _____

(E) Revenue reserves

(i) Reserve Requirement _____

(ii) Other revenue reserves _____

(iii)Unappropriated profit or loss _____

(F) Other provision and reserves for losses or contingencies

Give breakdown of provisions and other reserves (indicating purposes) classified under the item "Other liabilities including provisions and other reserves" in the balance sheet. _____

(G) To provide breakdown of items listed in 'Other Accounts' _____

(H) (i) Total deposits of non-bank customers _____

(ii) Deposits and balances of bankers and agents _____

Where applicable, the following items should be attached:

(ii) List of outstanding credit facilities utilized by companies in which the bank directly or indirectly holds share capital.

(iii) List of loans and other credit facilities granted to related parties provided in articles 48-50 of Law on Banking and Financial Institutions

(iiii) List of assets of the bank that have been mortgaged or pledged with other banks, financial institutions, etc, as securities for funds provided to the bank or any party by way of deposits, loans advances or any other means.

II- <u>PROFIT AND LOSS ACCOUNT</u>

(i) A copy of the audited Profit and loss Account showing details of the income and expenditure of the bank, and

(ii) A copy of the Profit and loss Appropriation Account are attached.

……

Chief Executive Officer

……

Principal Financial Officer

We confirm that the financial data stated herein are in accordance with the financial books and records of the bank from which the audited statutory accounts of the bank are prepared.

……

External auditors

Notes:

2-	Capital tier 1 = paid-up capital (common stock) + reserve
3, 4 and 6	Risk weighted assets refer to the denominator of the solvency ratio. For more detail, please refer to the Prakas on Bank's Solvency Ratio.
4-	Capital tier l+ tier2 = paid-up capital (common stock) + reserve + general reserves -subordinated debts +hybrid capital (preferred stock)
9-	Dividend refers to the dividend paid during the year.
11-	Banking reserve refers to account number 405000 in the chart of account.
14-16	Classified assets refer to non-performing loans and those assets for which specific provisions are made.
18-	For definition of term "Large Exposure" please refer to the Prakas No.B7-06-226 on Controlling Bank's Large Exposures.
24-	All allowances = allowance for loans and lease loss (account number 170000) + allowance for potential losses on investment and securities (account number 214000).
31-	Provision indicated by account number 661000, which includes provision for bad and doubtful debts on principal and accrued interest, provision for off balance sheet loss expense, provision for doubtful and loss of securities on principal, and global and general provision
34-	Tax = patent tax (657100) + tax on unused land (657400) + tax on transportation (658000) + income tax (659100).
39-	Liquid assets refer to debit items mentioned in Prakas No.B700-38 on Liquidity Ratio.
42-	Quick assets = cash + gold + deposit with NBC (excluding capital guarantee and reserve requirement) + deposit with other banks.

FINANCIAL SOUNDNESS INDICATORS

CAPITAL

1. Equity to Total Asset (A/B)
   - A- Equity
   - B- Total assets

2- Capital Tier I to Total Asset (A/B)
   - A- Capital tier 1
   - B- Total assets

3- Capital Tier I to risk weighted Asset (A/B)
   - A- Capital tier I
   - B- Risk weighted assets

4- Capital Tier 1 + Tier 2 to Risk Weighted Asset (AB)
   - A- Capital tier 1+ tier 2
   - B- Risk weighted assets

5- Net Worth to Total Assets (A/B)
   A-Net worth B- Total assets

6- Solvency Ratio (A/B) A-Net worth
   B- Risk weighted assets

7- Debt to Total Asset (A/B)
   - A- Total liabilities
   - B- Total assets

8- Debt to Equity (A/B)
   - A- Total liabilities
   - B- Equity

9- Dividend to Net Profit (A/B)
   - A- Dividend
   - B- Net profit

ASSET QUALITY

10- Banking Reserve to Total Loans (A/B)
   - A- Banking reserves
   - B- Total loans (gross)

11- Banking Reserves to Total Assets (A/B)
   - A- Banking reserves
   - B- Total assets

12- NPL to Total Loan (A/B)
   A-NPL
   B- Total loans (gross)

13- NPL to Total Asset (A/B)
   A-NPL
   B- Total assets

14- Classified Asset to Total Loan (A/B)
   - A- Classified assets
   - B- Total loans (gross)

15- Classified Asset to Tatal Asset (A/B)
   - A- Classified assets
   - B- Total assets

16- Classified Asset to Equity (A/B)
   - A- Classified assets
   - B- Equity

17- Loan to Related Parties to Total Loan (A/B)
   - A- Loan to related parties
   - B- Total loans (gross)

18- Large Exposure to Total Loan (A/B)
   - A- Large exposure
   - B- Total loans (gross)

19- Loan to Related Party to Net Worth (A/B)
   - A- Loan to related parties
   - B- Net worth

20- Large Exposure to Net Worth (A/B)
   - A- Large exposure
   - B- Net worth

21- General Provision to Total Loan (A/B)
   - A- General provision
   - B- Total loans (gross)

22- Specific Provision to Total Loan (A/B)
   A- Specific provision
   B- Total loans (gross)

23- Specific Provision to NPL (A/B) A- Specific provision B- NPL

24- All Allowances to Total Assets (A/B)
   - A- Total alt allowances
   - B- Total assets

25- Loans to Deposits (A/B)
   - A- Total loans to non-bank customers (gross)
   - B- Customer's deposits

EARNINGS

26- ROA (A/B)
   - A- Net profit
   - B- Total assets

27- ROE (A/B)
   - A- Net profit
   - B- Equity

28- Gross Yield (A/B)
   - A- Interest income
   - B- Total assets

29- Net Interest margin (NIM) to Total Asset (A-B)/C)
   - A- Interest income
   - B- Interest expense
   - C- Total assets

30- Other Income (OTINC) = (A/B)
   - A- Other incomes
   - B- Total assets

31- Provision to Total Assets (A/B)
   - A- Provision
   - B- Total assets

32- Overhead (OHEAD) = (A/B)
   - A- Non-interest expenses
   - B- Total assets

33- Net Income Before Tax (NIBT) = (A/B)
   - A- Net income before tax
   - B- Total assets

34- Tax to Total Assets (A/B)
   A-Tax
   B- Total assets

35- Interest Margin to Gross Income ((A-B)/C)
   - A- Interest income
   - B- Interest expense
   - C- Gross income

36- Non-interest Income to Gross Income (A/B)
   - A- Non-interest income
   - B- Gross Income

37- Non-Interest Expense to Gross Income (A/B)
   - A- Non-Interest expense
   - B- Gross income

38- Times Interest earned ((A+B)/C)
   - A- Income before tax
   - B- Interest expense
   - C- Interest expense

LIQUIDITY

39- Liquid Asset (A/B)
   - A- Liquid asset
   - B- Total assets

40- Short-term Liabilities (A/B)
   - A- Short-term liabilities (less than one year)
   - B- Total assets

41- Net Liquid Assets (A-B)/C
   - A- Liquid assets
   - B- Short-term liabilities
   - C- Total liabilities

42- Quick ratio (A/B)
   - A- Quick assets
   - B- Current liabilities

43- Deposits to Total Loans (A/B)
   - A- Total customers' deposits
   - B- Total loans to non-bank customers (gross)

Appendix 4

GUIDELINES
FOR
BANKS AND FINANCIAL INSTITUTIONS ON ITEMS TO BE INCLUDED
IN FINANCIAL REVIEW FOR PUBLICATION

Banks should provide the following minimum information:

1) Chairman's statement

- Overall business environment
- Summary of the bank financial performance
- Inform briefly on new products introduced if any
- Ability to meet NBC regulation, and actions taken
- Steps taken to strengthen the bank position and performance
- Board focus and commitment

2) Board of Directors Chart

- How duties and responsibilities are divided within the bank
- Reporting and management of work

3) Report of the Board of Directors

- Directors' report
- Principal activities during the year

4) Policy and Practice Guidelines for Corporate Governance

- Selection of directors
- Board of directors
  - Board composition
  - Board and Directors' profile
  - Board meetings
- Internal control
- Risks management
- Code of ethics
- Independency and transparency

5) Business description

- Principal activities of the bank
- Mission and vision
- Bank philosophy
  - Customers
  - Employers
  - Environment, Social and Community
  - Shareholders

6) Financial Highlights (key performance indicators)

- Profitability
- Balance sheet summary
- Financial ratio
- Other items (dividends, capital management)

7) Analysis of the results (key performance indicators)

- Detail analysis of each item of the key performance

8) Business Operation Target

- Financial perspective
- Customer perspective
- Internal process perspective
- Human resource development
- Significant operation plan for the following year

9) Financial risk management policies

- Operational risk
- Credit risk
    - Non-performing loans
    - Debt restructuring
    - Risk from concentration of loans (large exposures)
    - Risk from collateral impairment

- Market risk

    - Foreign currency exchange risk
    - Interest rate risk
    - Liquidity risk

10) Directors' declaration on the financial statements
11) Independent Audit Report
12) Shareholding Information (Quantitative)
13) Financial statements including notes to the financial statements
14) Bank representation (branches and international correspondents)

- Branches and international correspondent

15) Significant changes during the year
16) Three year financial summary

- Overview

Nº B-7-05-03 CIR

CIRCULAR
ON
MULTI-CURRENCY ACCOUNTING FOLLOWING
IMPLEMENTATION OF UNIFORM CHART OF ACCOUNTS

****

This circular gives guidance on the recommended approach for bank and financial institutions in adopting multi – currency accounting for transactions involving foreign currencies. It includes the procedures for daily revaluation and accounting for gains or losses on revaluation as well as recognition of exchange positions on foreign currency loans and foreign currency accrued interest.

The guidelines should be read in conjunction with the Prakas No. B 7-00-50 on the accounting process for foreign currency transactions dated February 17, 2000.

Multi – Currency Accounting

The uniform chart of accounts (COA) which has been adopted by banks is a multi–currency COA. Each general ledger account has a currency code, namely, the last digit.

This system of coding applies to assets, liabilities, income, and expense and off–balance sheet items. Therefore, the book – keeping entries for any banking operation can be made in by debiting and crediting the general ledger accounts by each currency. For instance, an outward remittance in Euros to the debit of a customer's account can simply be made as follows, if the customer maintains a current account in Euros:

Debit Customer Account in Euros
Credit Nostro Account in Euros
[Ignore commission]

Similarly, a fixed loan in THB can be journalized as:
Debit Fixed Loan in THB
Credit Customer account in THB

There would be no foreign exchange involved. Any exchange risk in Euros or THB, in terms of assets and liabilities is neutralized by booking the asset and liability both as a debit and a credit.

However, if the customer has a USD current account and desires the bank to remit in Euros, the bank would convert the Euros to USD and debit the customer accordingly. This gives rise to an exchange position in Euros vis - a - vis the base currency in USD. The accounting entries are:

Debit Customer Account in USD
Credit Equivalence in Foreign Exchange in USD
Debit Foreign Exchange Position in Euros
Credit Nostro in Euros
[Base currency is USD]

In a multi – currency trial balance, both the USD and the Euros will balance in debits and credits. For presentation and reporting purposes, the conversion of the USD and Euros to Riel will not result in any translation gain or loss or exchange gain or loss.
In our example above, the bank has a foreign exchange position in Euro versus USD. Bank management should set its internal policy on the limit of exchange exposure. The exchange

position should be revalued daily or other intervals using market exchange rates and any gains or losses taken to the income statement. Gains and losses on foreign exchange revaluation for banks should not be taken to reserve accounts in the balance sheet.

Dual currency accounting

Many banks currently use dual currency accounting despite the adoption of the COA. There are two scenarios. The first is that a bank does not have an overseas correspondent for the foreign currency that it is remitting. For instance, a bank customer has a USD current account and he instructs his banker to remit in Euros. In this case, the banker merely passes the exchange position to his bank correspondent in USA and instructs him to remit Euro and charging his account in USD. The local bank accepts the exchange rate charged by the US bank and it does not have an exchange position. The disadvantage of this approach is that it is costly for the local bank and its customer.

The second scenario is that the customer maintains his current account in Riel but wishes to remit in USD. In this case, the accounting entries in a dual currency account would be:

Debit Customer in Riels
Credit Nostro in Euros and in Riels (Dual Currency) [Ignore commissions and assume the base currency is Riel]

The Euros in the nostro account and its equivalent in Riel will fluctuate with the market value of Euro vis – a vis Riel. Banks should revalue the foreign currency against the base currency at least once a month and take the gains or losses to income statement.

Foreign Currency income and expense items

Article 8 of the above Prakas states that the accrued foreign exchange income and expense relating to foreign currency loans and borrowings, securities or off – balance sheet operations shall be revalued at the spot rate and entered in the profit and loss account.

In a multi – currency accounting system as suggested above, this is easily done. Each month, there will be as many profit and loss statements as there are currencies in the bank. To give effect to article 8, banks need only to take up the exchange position of the net income less expense by currency and pass the accounting entries:

Assume, there is a net income, say in THB
Debit Income in THB
Credit Exchange position in THB
Debit Equivalence in USD [Assume the base currency is USD]
Credit Income in USD
[By virtue of this operation, banks will have revalued the foreign exchange income in their foreign currency loans]

In a dual currency accounting system, such accrued interest cannot be easily revalued since both the accrued interest receivable in foreign currency and the interest income were booked at the same booking rates. Any revaluation does not give effect to the amount earned.

Phnom Penh, 10 February 2005

Bank Supervision Department

Signed: **Phan Ho & Kim Vada**

Nº B-7-95-04

Manager of all Commercial Banks

Subject: Monthly Statement of Assets and Liabilities on Diskette

Reference: Sub-Decree on the Supervision of Commercial Banks #29 ANK dated November 16, 1992.

With respect to he above mentioned subject and to improve efficiency in examination and timely reporting the Bank Supervision now requires all commercial banks to complete an electronic spreadsheet version of the above report as per instructions and diskette in addition to the signed paper copy as from June 1995.

Please submit to Bank Supervision the diskette and the Assets & Liabilities report on paper copy az per circular NBC Nº 795-002 dated March 31, 1995.

The figures in the diskette shall be identical to the figures on paper copy.
Please contact the Bank Supervision for diskette (Software) and instructions.

Phnom Penh, June 23, 1995

Signed : **Tioulong Saumura,** Deputy Governor

Chea Sok, Bank Supervision and Examination

INSTRUCTIONS

Monthly Statement of Assets & Liabilities (Spreadsheet-based Report)

1- Summary

In addition to the existing Monthly Statement of Assets and Liabilities (paper form) all commercial banks are now required to complete an electronic spreadsheet version of this same Monthly Statement. Both the signed paper copy and the validated spreadsheet are to be handed in simultaneously to the staff of Bann Supervision Department before of on the 10 of the month following.

The following instructions explain how to use the Lotus 1-2-3, spreadsheet-based Monthly Statement of Assets and Liabilities that commercial banks are required to complete in addition to current statutory reporting requirements.

2- General Information

Currently, all commercial banks file a paper form known as the Monthly Statement of Assets and Liabilities (MSAL) to the Bank Supervision Department (BSD). BSD now requests that all reporting banks complete a spreadsheet version of the same form, and submit it together with the signed standard paper form to departmental staff.

BSD staffs have put the MSAL paper form onto a Lotus spreadsheet (1-2-3 Release 1 for Windows, with file format. WK3 and FM3). In the same spreadsheet, BSD has included a series of validation tests that will assist the commercial bank officers ensure correct reporting. For instance, a Monthly Statement is *invalid* if asset items do not add up to the reported Total Assets, or when Total Assets is not equal to Total Liabilities and Capital. On the other hand, a report that does not include a figure for capital is invalid. Therefore, the validation table allows reporting banks pinpoint areas of their monthly reports that are incorrect. Reporting banks must ensure that their monthly reports are valid before handing over their diskettes to BSD.

The Bank Supervision Department stresses that all Monthly Statements must be correctly completed in accordance with existing guidelines contained in Circular M1, a spare copy of which is included with the present instructions (see Annex 2). The MSAL paper form must contain the same data as that shown in the spreadsheet. As is currently the practice, the paper form must be approved by duly authorized certifying officers from the reporting banks before being submitted to the National Bank. All diskettes handed over to the National Bank must be checked for computer viruses with a reputable and up to date antivirus program.

3- Instructions on the use of Monthly Statement of Assets & Liabilities spreadsheet

- *Software Requirements :*

In order to run their spreadsheet copy of the Monthly Statement, reporting banks should have access to Lotus 1-2-3 Release 1 for Windows, or any later release of 1-2-3 that can handle .WK3 and .FM3 file formats. When handing over the MSAL spreadsheet to BSD, format .WK1 (1-2-3 for DOS) is acceptable.

- *Spreadsheet Description :*

–At the top left hand corner of the spreadsheet, a table contains basic information about the reporting bank, its assigned short name, the month reported on, the name of the reporting officer, and his/her contact telephone (refer to Annex 1, p1). Each bank is assigned a 3 letter short name which is also used as spreadsheet filename. This short name is used by NBC for clerical processing only and does not purport to replace in any way the official initials that each bank may have.

–Each MSAL spreadsheet contains an entry panel (see example in Annex 1, pp 1&2) which is simply the existing Monthly Statement of Assets & Liabilities. It also contains a validation table (in Annex 1, p 3) which is a series of test questions to ensure that the Monthly Statement is consistent and valid.

- *Step by Step Instructions :*

1. Make a backup copy of the spreadsheet file from the NBC issued diskette into the hard drive of your computer. The diskette has been checked for viruses with an anti-virus program.
2. In cell B3, enter the report month by typing the first 3 letters of the month eg. for April 1995 type Apr-95, for June 1995 type Jun-95 etc
3. In cells B4...B5 enter the name of the reporting officer and his/her contact telephone number.
4. Type in balance sheet data for report month in cells C12...C92. Enter the previous month's data in cells D12...D92. Column E displays the changes between columns C and D.
5. Information panel in cells B2...B5 and data entry panel C12...D92 are the only area of the spreadsheet reporting banks need to edit.
6. Cell C9 will display an **"INVALID"** flag if the submitted report is not consistent i.e there may be one or more cases where figures supplied in column C do not add up. In this case, move to the **validation table** which begins at cell F 1. A diagnosis is displayed with the location of the problem(s). Correct mistakes made in your data entry panel C12...C92 until the validation flag in C9 becomes **"VALID".** Please refer to a staff officer of the BSD if you are having difficulties.
7. After completing the spreadsheet, save the file onto diskette (always use the reporting bank's assigned short name as spreadsheet filename). Both the signed copy and the validated spreadsheet version of the Monthly Statement of Assets and Liabilities should be submitted to the Bank Supervision Department before or on the 10th of the following month.
8. NOTE: do not change the spreadsheet in any way i.e, avoid using /Move. /Worksheet Delete commands or any other commands which can result in damages to formulas in the spreadsheet. The only area you may edit is in the input table in columns C and D. Do not alter the test formulas in the validation table.
9. For detailed definition of the items in the Monthly Statement, please refer to Circular M1, a copy of which is included with these instructions in Annex 2.

Bank Supervision Department

INSTRUCTIONS
FOR
THE MONTHLY REPORT OF ASSETS AND LIABILITIES
OF COMMERCIAL BANKS

A. SUBMISSION OF REPORT

1. The Monthly Report of Assets and Liabilities of Commercial Banks (hereafter, Monthly Report) is to be completed on the basis of the bank's account balances as of the last business day of the reporting month, and should be submitted by the 15th day of the following month. In the event that the 1 5th day is not a business day, the report should be submitted by the last preceding business day. The report should be sent to: Manager, Bank Supervision, National Bank of Cambodia (NBC), 22-24 Norodom Blvd., P.O. Box 2), Phnom Penh., Cambodia. The report should be submitted both on paper and in a computer file, in the format provided by NBC.

B. RESIDENT AND NONRESIDENT ACCOUNTS

2. All assets and liabilities must be disaggregated by type of customer into resident and nonresident accounts, to separately identify domestic and foreign assets and liabilities.

RESIDENCY

3. Residency is based on the economic center of interest of the transactor, rather than nationality, currency of denomination, or legal definitions. All enterprises engaging in economic activities on a significant scale in Cambodia should be considered residents. Individuals have centers of economic interest when their principal residences are in Cambodia. If they work overseas for more than a year, individuals typically cease to be residents. But regardless of their centers of economic interest, some transactors in Cambodia are always considered to be nonresidents-particularly, embassies, consulates and their representatives, international organizations, tourists, and persons staying in Cambodia for less than a year. For such special cases, Cambodian-national outside of Cambodia continue to be Cambodian residents.

4. Riel and foreign currency loans to Cambodian residents are part of the domestic assets of a Cambodian commercial bank (that is, a bank operating in Cambodia), but Riel and foreign currency loans to nonresidents are foreign assets of a Cambodian bank. The residency of borrowers is normally clear since the bank is aware of business being conducted in Cambodia or abroad; for loans to individuals below Riel 1 ,000,000 (or US $ equivalent), a Cambodian address is sufficient to indicate that the borrower is a resident. Riel and foreign-currency deposits of Cambodian residents are domestic liabilities of Cambodian banks, but Riel and foreign-currency deposits of nonresidents are foreign liabilities of Cambodian banks. Deposits of less than Riel 1,000,000 (or US $ equivalent) should be classified as resident deposits, if the depositor's address is in Cambodia. These rules apply unless there is clear evidence that the borrower or depositor is a nonresident.

5. Even though all deposits of Cambodian residents are included in the domestic liabilities of the Cambodian banks, separate data on (a) Riel depo sits of residents and (b) foreign-currency deposits of residents must be included in the Monthly

Report, since these data are needed for monetary policy purposes. Separate data should also be reported for Riel and foreign currency deposits of nonresidents.

C. DOMESTIC SECTORS

6. Resident institutional units of Cambodia can be disaggregated by type of customer to identify the following domestic sectors:

    (a) Private sector: individuals, cooperatives, private and mixed enterprises, and social organizations.
    (b) state enterprises: (refer to list of non-financial public enterprises)
    (c) government: central, provincial, and district levels
    (d) commercial banks

7. All categories of the commercial bank's claims on, and indebtedness to, NBC must be clearly identified in the Monthly Report. Claims on NBC include bank clearing balances and other. NBC deposits (in Riel or foreign currency) of commercial banks. If NBC debt certificates are issued in the future, commercial bank holdings of such claims will be included. Indebtedness to NBC includes bank liabilities incurred through rediscounting and advances by NBC and possibly other NBC credit facilities for banks.

D. FOREIGN ASSETS AND LIABILITIES

8. The major categories of foreign assets are foreign currency holdings, balances in foreign banks (Nostro accounts), and credits related to foreign trade: trade bills discounted, trade receivables, and credit arising from similar instruments that constitute claims on nonresidents as defined in Section B.

9. All accounts for trade-related credit, such as bills receivable, should be carefully disaggregated by resident and nonresident debtors, to ensure accurate reporting of domestic and foreign assets. Similarly, balances due to or due from foreign banks should be carefully distinguished from balances due to and due from domestic banks.

10. The basic test is that all assets that are direct nonresident obligations to the bank are classified as foreign assets, and all liabilities that are direct bank obligations to nonresidents are classified as foreign liabilities. Care should be exercised in cases where the bank's claims are on residents who, in turn, have claims on nonresidents. From the bank's perspective, such claims are domestic assets. Similarly, liabilities' are classified as domestic when a resident has a direct claim on the bank. These rules apply regardless of the currency in which the asset or liability is denominated. All liabilities that are strictly contingent, such as credit commitments and letters of credit, are excluded from the report. Loans to residents that are guaranteed by nonresidents should be classified as domestic loans.

11. In cases where doubts arise, the accounting department of the bank should confer with the Bank Supervision of NBC for the correct classifications and sectorizations. When completed, the Monthly Report should show all assets, liabilities and capital on the bank's balance sheet, as of the end of the reporting month. That is, the various categories of assets, liabilities, and capital should sum to the totals for assets and liabilities plus capital, shown in the report.

E. DOMESTIC LOANS AND DEPOSITS

12. Domestic loans and advances are reported for three broad categories: private sector, stale enterprise, and government. Further disaggregations of private-sector and state-enterprise credit are required, as shown on the report form. Some categories may not apply to your bank at present. Total amounts for loans and advances in foreign currency are to be reported separately for each of the three major credit categories.

13. Domestic deposits are reported in four broad categories: current accounts (demand deposits, or sight deposits), savings deposits, fixed deposits, and foreign currency deposits of residents. Current accounts are further disaggregated by sector (private, state enterprise, and government), and a separate subcomponent is reported for certified checks (bank drafts and cashier's checks, or similar instruments).

14. Any deposits that are not created, exchanged, and liquidated on terms agreed to by the bank and depositors should be classified in the category of residented deposits. Such deposits (for example, import deposits, stabilization funds, blocked deposits, compulsory deposits, or similar categories) often arise from government actions, but may also occur because of accumulation of arrears or loan rescheduling agreements.

F. CAPITAL

15. The major capital entries include paid-in capital and surplus (premium on share capital), retained earnings, and the profit or loss that has not been transferred to the capital account in the bank's balance sheet. Subordinated debt is long-term debt that is subordinated to all other bank debt in order of repayment. At maturity, such debt may be convertible into stock.

G. PROVISIONS

16. Provisions for loans losses are allowances to cover potential nonpayment of interest and principal on loans. These provisions are in accordance with the rules for prudential regulation. General provisions are allowances provided to cover general losses arising from losses from loans, trading in foreign exchange and securities and other possible sources.

H. VALUATION

17. All assets and liabilities denominated in foreign currency should be translated into riel amounts, by using the market exchange rates quoted on the last business day of the report period (end of month). The counpart of all valuations made to these account, or the profits or losses resulting from the changes in the exchange rate of the riels, should be aggregated and recorded as valuation adjustments. These valuation adjustments are treated as items in the capital account because they have a direct impact on the level of capital and reserves.

Nº B-6-03-012 Prokor

PRAKAS
ON
INTERNATIONAL TRANSACTIONS REPORTING SYSTEM

Article 1

Determining procedure for implementation of the international transactions reporting system at involved departments under the NBC's authority and licensed banking and financial institutions hereafter referred to as "Financial Institutions".

The procedure and the application of report are illustrated in the documents (International Transactions Reporting System: Classification & Procedures Manual, December 2002) that attached in appendix.

Article 2

The purpose of the international transactions reporting system is to collect data about international transactions which operates through the account of the customer at NBC and at financial institutions in order to establish the balance of payment statistic in Cambodia.

Article 3

Involved departments and financial institutions have to provide accurate information monthly and on time to Economic Research and Statistics Department not later than 10 days of the working days after each month. In case there is no enough and accurate information, the involved departments and financial institutions shall provide the estimated information to

Economic Research and Statistics Department within the limited period of reporting and shall give the specific information after completing the report.

Article 4

Economic Research and Statistics Department shall keep the secret regarding the information which getting from other involved departments and financial institutions. The information is only used for preparing balance of payment statistic and publishing as the report and entire statistics.

Economic Research and Statistics Department shall monitor and consolidate the report which involved departments and financial institutions have sent and periodically enter information into balance of payment in Cambodia.

Article 5

Economic Research and Statistics Department shall check reporting system from international transactions so as to adjust and reduce expenses for preparing the report.

Article 6

Documents attached in appendix (ITRS: Classification & Procedures Manual, December 2002) and all documents received or prepared by NBC are only used for preparing balance of payment in Cambodia and are the copyright of NBC that are not allowed to copy or send out without a prior written permission from NBC.

Article 7

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas effectively from the signing date.

Phnom Penh, 16 January 2003

The Governor

Signed and Sealed: **Chea Chanto**

ធនាគារជាតិនៃកម្ពុជា

National Bank of Cambodia

INTERNATIONAL TRANSACTIONS REPORTING SYSTEM

FOR THE CAMBODIAN BANKING SECTOR

CLASSIFICATION & PROCEDURES MANUAL

(December 2002)

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Introduction

1. This manual outlines the classifications and procedures to be used by the commercial banks and the National Bank of Cambodia (NBC) in reporting International Transactions Reporting System (ITRS) transactions. In addition to procedures, classification codes have been provided for country, currency, transactors and transactions. The transactor and transaction codes have been devised for the purpose of classifying transactions between residents of Cambodia and the rest of the world into different types in order to facilitate the analysis of these transactions according to broad balance of payments components.

2. In devising the classification system and the transactions codes for the ITRS, this manual has broadly followed the classification system adopted by the International Monetary Fund's *Balance of Payments Manual, Fifth Edition 1993 (BPM 5).* The broad balance of payments classifications consist of the following: *(a) current (b) capital and (c) financial transactions.* These are further sub-divided into other categories and transactions. However, the classification system used in this manual and consequently the transactions codes are not as elaborate as specified in *BPM5.* The transactions codes have been simplified taking into consideration circumstances that are relevant for Cambodia, as well as to facilitate ease of reporting. Hence the current and capital transactions have been combined. Also, some sub-categories such as acquisition/disposal of *non-produced, non-financial assets* have been left out because they are not relevant to Cambodia at present or because data on these are best obtained through sources other than the ITRS (e.g. inquiries from embassies for purchase of land to build embassy offices/ housing for employees or enterprise surveys for the purchase/sale of copyrights, patents, and royalties). Similarly, the elaborate classification system followed in *BPM5* for the financial account has not been followed for the purpose of the ITRS. In *BPM5,* the financial account is further sub-divided into *(a) direct investment (b) portfolio investment (c) financial derivatives (d) other investment and (e) reserve assets.* These are further categorized into *(a) assets and (b) liabilities* that in turn are further sub-divided into different *financial instruments* by *sectors.*

3. The transactions codes together with information provided in forms 1R/1P-3R/3P and the various classification codes will normally enable the balance of payments statisticians to slot the information provided on the ITRS into the elaborate classification system of balance of payments transactions as presented in *BPM5.* In some instances where clear or inadequate information is not provided, further investigation needs to be conducted by the balance of payments statisticians. Such investigation may also become necessary as data confrontation exercises are conducted. Data confrontation means comparison of data from two or more sources for reasonableness and for avoidance of duplication.

4. While a very general, overall idea of the balance of payments statistics may be helpful, it is not necessary at all for an ITRS compiler in a commercial bank to know the concepts, detailed classifications and the various exceptions to the rules associated with these statistics. Therefore, in this manual an attempt is made to define the various transactors and transactions to enable the ITRS compilers to assign the appropriate transactor and transaction codes. It is the responsibility of the balance of payments statisticians to slot these transactions into the appropriate balance of payments classification system.

Background and Consultation

5. The ITRS is being introduced from January 1, 2003 by the NBC following a review of the data sources and methods used in compiling Cambodia's official balance of payments (BOP) statistics, with the assistance of International Monetary Fund (IMF) statistics advisors. This ITRS for the banking sector is a data collection system which requires the NBC and commercial banks to record details of the purpose and transacting parties for each international payment and receipt made through the banking system (e.g. SWIFT payments and receipts). The information is reported by banks for their own accounts and on behalf of Cambodian residents paying or receiving funds. The confidentiality of individual information is protected under Cambodia's Banking and Statistics Laws. Only aggregated data are used in compiling balance of payments statistics.

6. On June 6 and October 25, 2002, the IMF MSA and the mission held meetings with representatives of the commercial banks to discuss the introduction of an ITRS for Cambodia. The meetings agreed to:

   - A cut off level for identifying single transactions of US$10,000, which is expected to capture 80 percent of transactions by value that would be coded and classified by nature of transactions.
   - Transactions less than US$10,000 being included in the "other" category and on the basis of a rotating sample to be sampled once a year for each bank with the sampling exercise evenly spread throughout the year.
   - Transactions of the Western Union offices being surveyed separately, with data for these transactions being provided separately by the three banks that have these agencies.
   - Separate ITRS forms being used by the banks to report receipts and payments and the classification and coding system being further simplified to include "other" categories.
   - The banks providing monthly-consolidated statements, via Excel spreadsheets on floppy discs.
   - The commencement of the survey from January 1, 2003.
   - Just in time training provided to the commercial banks and NBC staff in late November 2002 for 2 days.

7. Based on this agreement with the commercial banks and further discussions with officials from the various departments within NBC, the overall assessment of the IMF resident Multi-sector Statistics Advisor and the BOP STA mission was that it is feasible to introduce an ITRS for the banking sector from January 2003.

Definition, Types and Quality of ITRS

8. An ITRS measures: (a) individual balance of payments (BOP) cash transactions that pass through domestic banks and through enterprise accounts with banks abroad, (b) non-cash transactions, and (c) stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises. An ITRS can provide comprehensive and timely BOP statistics.

9. There are two types of ITRS: (a) closed ITRS that accounts for all transactions and reconciles all transactions with corresponding changes in stock positions, and (b) an open ITRS that does not allow such complete accounting and reconciliation. An open ITRS is a partial system because certain BOP transactions are not recorded. For e.g. the German

system does not include export of goods and short-term financial transactions, although it provides for reconciliation of data on certain flows and stock positions.

10. The quality of ITRS depends on (a) clearly defined rules, (b) a sound legal basis, (c) well-designed collection forms and procedures, (d) cooperative reporters, (e) adequate resources, and (f) well-trained staff.

Purpose of Cambodia's ITRS

11. The primary purpose of Cambodia's ITRS is to collect international transactions data in order to compile Cambodia's balance of payments statistics. In addition, a monthly summary report of aggregate statistics for the whole of the banking sector will be produced for the NBC and the commercial banks in order to monitor the growth in international transactions (i.e. total value and volume), as well as changes in the nature of these transactions. The information reported by the banking sector will only be used for statistical purposes.

Authority for the ITRS and Compliance

12. The information reported by the banks and the NBC, on their own account transactions or on behalf of their clients, is to be collected under the authority of the National Bank's own legislation, as well as the Statistics Law of Cambodia. The Law provides for the compulsory provision of individual information to institutions and ministries of the Royal Government of Cambodia, for statistical purposes under Article 24. The article states that "ministries and government institutions may conduct statistical activities to obtain statistical information from respondents". Furthermore, the Law states under Article 29 that the "respondents must provide accurate, complete, timely and truthful information to a designated statistical officer of the National Institute of Statistics of the Ministry of Planning or any other ministry or institution of the Royal Government. Where accurate and complete information is not available within the time required, respondents must provide approximate information. Articles 30 and 31 state that, "Penalties shall apply to any respondent who knowingly violates Article 29" and "any individual who deliberately and without legal justification prevents or prohibits statistical activities conducted by the National Institute of Statistics, Ministries, or other government institutions under the provisions of this Law, will be subject to penalties as determined under the judicial code".

13. The NBC has the authority to collect the ITRS data under Article 39.1 of the Law on the Organization and Conduct of the National Bank of Cambodia. This article states that "a bank or financial institution must furnish to the Central Bank such information and data as the Central Bank may require for the discharge of its functions and responsibilities". Further in Title II of the Law, which describes the general functions, and duties of the NBC, the establishment of the balance of payments is listed in article 7.8 as one of the functions and duties. Also, article 33.4 states that "the Central Bank shall be empowered to take remedial actions or sanctions according to the existing laws if there has been an infraction by a bank or financial institution of its officers or employees with respect to the violation of a provision of the existing laws or regulations of the Central Bank".

Confidentiality of Individual Information

14. The *Statistics Law* provides for the confidentiality of all individual information collected under this Law. Individual data remain confidential to the NBC and the data are only to be released in the form of aggregated statistics. Article 25 of the Law specifically

guarantees “the confidentiality of all individual information obtained from respondents” and that “the information collected under this Law is used only for statistical purposes”.

15. Furthermore, Article 30 specifies that “Government employees and designated statistical officers of the National Institute of Statistics and statistical units in ministries or institutions of the Royal Government who violate Article 25 will be subject to penalties as determined under the judicial code”.

Scope of Cambodia’s ITRS

16. Under Cambodian banking regulations, both residents and non-residents can have foreign currency accounts with resident banks. In most instances, large international transactions are managed through these accounts. The scope of the proposed ITRS is to collect information from the NBC and commercial banks on the following international transactions, where:

- A bank client buys foreign exchange from, or makes a withdrawal from a foreign currency account at, a resident bank to make a payment to a nonresident.
- A bank client sells foreign exchange, or makes a deposit to a foreign currency account, which has been received as a payment from a nonresident, to a resident bank.
- A Cambodian resident intending to travel abroad acquires foreign currency from, or makes a withdrawal from a foreign currency account at, a resident bank.
- A resident bank buys foreign currency travelers’ checks or cash from a nonresident who is traveling in the domestic economy.
- A resident bank undertakes a foreign exchange transaction with a correspondent nonresident bank abroad, including where the transaction is undertaken to exchange foreign exchange assets denominated in one currency for those denominated in another or to acquire (or sell) goods, services, other financial assets, etc.
- A resident bank undertakes a foreign exchange transaction with another resident bank, including where this transaction is undertaken to settle balances in various currencies or to sell (or buy) foreign exchange to (from) the NBC.

Definition of Resident and Nonresident

17. For the purposes of balance of payments statistics and the ITRS, residents of Cambodia comprise the following types of economic units:

- Households and individuals who make up a household;
- Enterprises, which are corporations and quasi-corporations, such as branch offices of non-resident direct investors;
- Nonprofit organizations; and
- The Royal Government of Cambodia.

18. To be a resident of Cambodia, an economic unit must have a center of economic interest in Cambodia. A household has a center of economic interest when members of that household maintain, within Cambodia, a dwelling that the members use as their principal residence. For simplicity, the one-year rule is applied. That is, individuals and members of a household are considered to be residents of Cambodia if they stay in Cambodia for one year or more, or intend to stay in Cambodia for one year or more (regardless of their nationality). However, foreign officials, diplomats, consular representatives, members of foreign armed

forces, and other foreign government personnel (except for technical assistance personnel) in Cambodia are to be treated as non-residents.

19. An enterprise or nonprofit organization is treated as a resident when it is engaged in a significant amount of production/provision of goods and/or services in Cambodia, or transactions in land in Cambodia. That is, the enterprise or non-profit organization maintains at least one production unit in Cambodia and intends to operate that unit for more than one year.

20. Embassies and international organizations (e.g. ADB, IMF, UN agencies and World Bank) located in Cambodia are to be treated as nonresidents.

Threshold Practices

21. In many ITRS, thresholds are used so that transactions of less than certain amounts need only to be aggregated as in the system proposed for Cambodia or need not be reported. BOP compilers have generally found large numbers of transactions that, in aggregate account for small values. The use of thresholds prevents undue reporting burdens and processing costs. However, while it may be unnecessary to report small transactions individually, an aggregate record of small transactions may be necessary for classification purposes and to determine the appropriate level of the threshold. This information may be gathered from periodic sample surveys. In the case of Cambodia, each commercial bank will provide detailed information on the under-threshold transactions for a selected week of the year. It is important that judgment be applied in adopting thresholds so that overall data quality remains acceptable.

22. The US$10,000 threshold amount has been agreed for Cambodia's ITRS. This amount is the same as that collected on Customs declaration forms for international passengers entering or leaving Cambodia. Based on the information provided by the banks, this threshold is expected to capture approximately 80 percent of the value of international transactions of commercial banks. This threshold level will be reviewed on an annual basis in order to ensure that individual transactions information is available for 80 percent by value of transactions.

Recording and Reporting of Transactions

23. With the exception of the NBC which will report information on all international transactions, on its own accounts and on behalf of its clients, a threshold of US$10,000 or more will be applied for collecting individual transaction details on *ITRS Form 1R – Receipts* and *ITRS Form 1P – Payments.* Section A of the form should be completed by the bank customer or the commercial bank representative on behalf of the customer. Section B should be completed by the commercial bank representative. Where commercial banks already collect the information required on their own transaction forms, they are free to use their own forms rather than Forms 1R and 1P.

24. For commercial banks, only the total number and value in millions of Riel will be reported on a monthly basis for transactions of less than US$10,000. However, once a year it is proposed that each bank provide details of individual transactions under US$10,000 for a period of one week, using the daily summary forms *ITRS Form 2R – Receipts* and *ITRS Form 2P – Payments,* or any existing forms that the commercial banks already have to collect the information required.

- *March* – Canadia Bank, Advanced Bank, Cambodian Commercial Bank and Cambodia Mekong Bank

- *June* – Foreign Trade Bank, Cambodia Asia Bank, Cambodian Public Bank, and Credit Agricole Indosuez
- *September* – Union Commercial Bank, Emperor International Bank, First Overseas Bank, Krung Thai Bank, Maybank and Rural Development Bank
- *December* – First Commercial Bank, Singapore Banking Corporation, ACLEDA Bank and Peng Heng S.M.E. Bank

25. In addition, it is proposed that the Singapore Banking Corporation, Acleda Bank, and Cambodia Asia Bank (acting as agents for Western Union) will report all individual transactions on behalf of Western Union clients for the third week of January, April, July and October of each year, also using ITRS Forms 2R and 2P.

26. Commercial banks are required to provide consolidated monthly summary reports, ITRS Form 3R – Receipts and ITRS Form 3P - Payments, on a regular monthly basis ten (10) working days after the end of the reference month to the BOP Division of NBC. The reports are to be provided on floppy discs using the Excel spreadsheets provided for this purpose. The information collected on ITRS Forms 1R, 1P, 2R and 2P (or other forms used by the banks for ITRS purposes) are to be retained by each bank for a period of two years, in case balance of payments compilers need to access the individual transaction information for data quality or validation checks.

Bundling of Transactions

27. Most transactions are likely to have a single purpose, e.g. payment for imported goods or receipts for exported goods. However, where the customer indicates that there is more than one purpose for a payment or receipt (bundling of transactions), the bank representative should ask for a breakdown of the payment or receipt by purpose in order to unbundled the transactions. Bundling of transactions occurs when several transactions relating to more than one classification category are covered by a single payment. For example, an importer may make a single payment of $30,000, including three separate payments for: imports ($25,000); freight ($4,000); and insurance ($1,000). Another example could be when a payment on a loan may include the loan repayment, an interest repayment, and some fees for financial services. It is necessary for transactors to report the separate components. The bank should report these as separate ITRS transactions.

28. A further example of bundling is the recording of transactions on a net, rather than a gross, basis. Some foreign exchange payments may cover a number of offsetting gross credit and debit transactions. This may often be the case with transactions undertaken by transportation, travel, and finance enterprises and direct investment enterprises. Therefore, it may be necessary to collect additional information in respect of certain types of transactions or from certain types of enterprises.

Data Items to be Collected

29. The proposed data items to be reported for each transaction include:

- Description of reason for the transaction.
- Institutional sector of the transactor.
- Transaction code.

- Country of non-resident counterpart(s).
- Affiliation of counterpart with resident transactor
- Currency of transaction
- Amount in original currency
- Amount in Riel (millions)

30. In order to compile balance of payments statistics, it is necessary to ensure that the reporting classifications (i.e. transactor codes, other party codes, and transaction codes) used in the ITRS conforms, as closely as possible, to the classification used for the balance of payments statement. The list of transactor, other party and transaction codes and their descriptors are provided below. Also provided are currency and country codes.
31. Since the ITRS system envisaged for Cambodia is an open system, it is not necessary for the banks to record corresponding details of their own transactions-for purposes of matching their transactions with those of clients- and details of their foreign currency (and other external asset and liability) positions since the ITRS envisaged for Cambodia does not intend to reconcile transactions and stock positions or to obtain international investment position (IIP).

Currency Conversion

32. All individual transactions of US$10,000 or more are to be converted to Riel at the buying (receipt) or selling (payment) exchange rate used for the transaction. Where the receipt or deposit is not converted into Riel, the bank should use the midpoint of its buying or selling rate for both receipts and payments. This should also be the methodology used where banks are reporting individual transactions under US$10,000 in value.

Valuation

33. Cambodia's ITRS may not achieve uniform valuations. For example, goods may be recorded, depending on the contract price in individual transactions, or on an f.o.b., c.i.f., or some other basis. The BOP compiler has to record goods on a uniform, namely the f.o.b., basis. Therefore, the compiler may have to make certain valuation adjustments to ITRS statistics to compile a BOP statement.

Time of Recording

34. All transactions taking place within a particular month should be included in the monthly summary report for that month.

Commencement Date

35. The commencement date for the ITRS is January 1, 2003.

Assistance and Future Training

36. For assistance in completing the ITRS forms or for any other queries relating to the ITRS, please contact the Balance of Payments Division, NBC on 023 722 563 extension to 1118.

37. Just-in-time training was provided for commercial banks' and NBC staff on 26 and 27 November 2002. Further training is available on request and can be arranged by contacting Balance of Payments Statistics Division of the Statistics Department.

Forms

38. Copies of the ITRS forms are provided below. An Excel spreadsheet version of the monthly summary reports (Forms 3R and 3P) is also attached.

ธนาคารชาติ នៃ កម្ពុជា

IN CONFIDENCE **ITRS FORM 1R-RECEIPTS**

Reference number:_____
Bank:_____
Date:_____/_____/_____
day month year

For more information please contact:
Balance of Payments Division
National Bank of Cambodia

Receipts in Foreign Exchange or Receipts from Nonresidents

(please refer to the instructions on completing this form.)

Section A (To completed by bank officer)	**Section B** (To completed by bank officer)
1- Resident Name:	1-Transaction Code:
2- Other Party Name:	2-Other Party Code:
3- Country of Other Party:	3-Country Code:
4- Currency of Transaction:	4-Country Code:
	5a. Value . 0 0
5- Purpose of transaction (brief description):	*5b. Value in Riel (mil)*
……	*6-Transaction Code:*
……	Please provide any addition clarification
……	……
……	……

The ITRS collects information to be used for statistical purposes only. This information is collected under the authority of the *Law on the Organization and Conduct of the National Bank of Cambodia* and the *Statistics Law of Cambodia,* which provide for the compulsory provision of a completed form. The legislation also ensures that individual information will remain confidential to authorized NBC staff and the data are only released in the form of aggregated statistics.

Instructions for Section A:

Question 1: Please provide the name of the individual or organization in Cambodia.

Question 2: Please provide the name of the individual or organization of the other party to the transaction.
Question 3: Please provide the name of the country of the other party to the transaction.

Question 4: Please specify the currency used for the transaction (e.g. US $, Australian $, Thai Baht).
Question 5: Please specify the value of the transaction in the original currency (i.e. Question 4).

Question 6: Please provide a brief description of the purpose for the transaction (e.g. payment received for exports, salary, profits, loans, development grant, private transfers, gifts etc.).

If you require assistance in completing this form, please ask your bank officer to assist you.

THANK YOU FOR YOUR COOPERATION

ធនាគារជាតិនៃកម្ពុជា

IN CONFIDENCE

ITRS FORM 1P-PAYMENT

Reference number:_____
Bank:_____
Date:_____/_____/_____
day month year

For more information please contact:
Balance of Payments Division
National Bank of Cambodia

Payments in Foreign Exchange or Payments to Nonresidents

(please refer to the ins instructions on completing this form.)

Section A (To be completed by bank customer)	**Section B** (To be completed by bank officer)
1. Resident Name:	1. Transactor Code:
2. Other Party Name:	2. Other Party Code:
3. Country of Other Party:	3. Country Code:
4. Currency of Transaction:	4. Currency Code:
5. Value of Transaction:	5a. Value: . 0 0
6. Purpose of transaction (brief description):	5b. Value in Riel (mil):
……...	6. Transaction Code:
……...	Please provide any addition clarification:
……...	……..
……...	…….

The ITRS collects information to be used for statistical purposes only. This information is collected under the authority of the *Law on the Organization and Conduct of the National Bank of Cambodia* and the *Statistics Law of Cambodia,* which provide for the compulsory provision of a completed form. The legislation also ensures that individual information will remain confidential to authorized NBC staff and the data are only released in the form of aggregated statistics.

Instructions for Section A:

Question 1: Please provide the name of the individual or organization in Cambodia.

Question 2: Please provide the name of the individual or organization of the other party to the transaction.

Question 3: Please provide the name of the country of the other party to the transaction.

Question 4: Please specify the currency used for the transaction (e.g. US $, Australian $, Thai Baht).

Question 5: Please specify the value of the transaction in the original currency (i.e. Question 4).

Question 6: Please provide a brief description of the purpose for the transaction (e.g. payment for imports, salary, profits remitted, investment in shares abroad, loans extended, loan repaid, private transfers, gifts etc.). If you require assistance in completing this form, please ask your bank officer to assist you.

THANK YOU FOR YOUR COOPERATION

Form 2R: ITRS Receipts – Daily Summary Sheet

Name of bank officer:							
Date:		Total number of transactions:					
Description of receipt transactions e.g. exports, gifts, salary, loans, etc.	Trans-actor code (1-9)	Trans-action code (110 – 999)	Country of non-resident Counter-part	Other party code (1-8)	Currency of transact-ion	Amount in original currency	Amount in Riel millions
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							
36.							
37.							
38.							
39.							
40.							
Total value	NA	NA	NA	NA	NA	NA	

Form 2P: ITRS Payments – Daily Summary Sheet

Name of bank officer:							
Date:		Total number of transactions:					
Description of payment transactions – e.g. imports, gifts, salary, loans, etc.	Trans-actor code (1-9)	Trans-action code (110 – 999)	Country of non-resident Counter-part	Other party code (1-8)	Currency of transact-ion	Amount in original currency	Amount in Riel Millions
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							
36.							
37.							
38.							
39.							
40.							
Total value	NA	NA	NA	NA	NA	NA	

Form 3R: ITRS Receipts – Monthly Summary Report

(Please report each transaction $10,000 or more and total number and value for transactions less than $10,000.)

Name of resident bank:							
Transactions verified (Initials):			Approved (Bank Manager's Initials):				
Month: Year:			Total number of other transactions:				
Description of receipt transactions – e.g. exports, gift, salary, loan, etc.	Trans-actor code (1- 9)	Trans-action code (110-999)	Country of non-resident Counter-party	Other party code (1-8)	Currency of transact-ion	Amount in original currency	Amount in Riel Millions
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							
36.							
37.							
38.							
39.							
Total value of other transactions	NA	NA	NA	NA	NA	NA	
Total value	NA	NA	NA	NA	NA	NA	

Form 3P: ITRS Payments – Monthly Summary Report

(Please report each transaction $10,000 or more and total number and value for transactions less than $10,000.)

Name of resident bank:							
Transactions verified (Initials):			Approved (Bank Manager's Initials):				
Month: Year:			Total number of other transactions:				
Description of payment transactions – e.g. imports, gift, salary, loan, etc.	Trans-actor code (1- 9)	Trans-action code (110-999)	Country of non-resident Counter-party	Other party code (1-8)	Currency of transact -ion	Amount in original currency	Amount in Riel Millions
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							
36.							
37.							
38.							
39.							
Total value of other transactions	NA	NA	NA	NA	NA	NA	
Total value	NA	NA	NA	NA	NA	NA	

Classification Codes

39. Descriptions of the various classification codes to be used in recording and reporting ITRS data are provided below.

Transactor Codes for the Cambodian Party

40. The following classification codes are to be used to classify the Cambodian party involved in each ITRS transaction:

Type of Transactor	**Transactor Code**
National Bank of Cambodia	1
Other Depository Corporation	2
Other Financial Institution	3
Government	4
State Owned Enterprise	5
Other Enterprise	6
Individual Resident	7
Other Resident	8
Nonresident	9

1. *National Bank of Cambodia* – is the central bank of Cambodia in Phnom Penh, including its central office in Phnom Penh and its branch offices. The central bank is the national financial institution that exercises control over key aspects of the financial system and carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to other depository corporations.

2. *Other Depository Corporation* – is any other resident depository corporation (except the NBC) or quasi-corporation. Included are all resident units engaging in financial intermediation as a principal activity and having liabilities in the form of deposits or financial instruments (such as short-term certificates of deposit) that are close substitutes to deposits. Deposits include those payable on demand and transferable by check or otherwise usable for making payments and those that, while not readily transferable, may be viewed as substitutes for transferable deposits. Thus, in addition to commercial banks, the definition includes merchant banks, savings banks, savings and loan associations, building societies, credit unions or credit cooperatives, rural and agricultural banks, travelers' check companies that mainly engage in financial corporation activities, and post office savings banks or other government controlled savings banks (as long as these banks are separate from government).

3. *Other Financial Institution* – is any resident insurance corporation or quasi-corporation, pension fund, other non-depository financial intermediary or financial auxiliary. Included are finance companies, financial leasing companies, investment pools, securities underwriters and dealers, financial derivative intermediaries, specialized financial intermediaries (including money lenders), public exchanges and securities markets, financial agents and brokers, foreign exchange dealers and retailers, financial guarantee corporations, and insurance and pension adjustors and agents.

4. *Government* – is any government authority, council, institution, ministry or other unit at the central, provincial, district or commune level within the Cambodian economy (including social security funds). Government units exercise legislative, judicial or executive authority over other institutional units within the Cambodian economy.

5. *State Owned Enterprise* – is any non-financial government owned enterprise or unincorporated enterprise that is owned and operated by government and that produces goods and services, including collective services or public goods. Examples include, the Phnom Penh and Sihanoukville Port Authorities, state owned rubber plantations, and Electricity du Cambodge. Non-profit organizations that are majority controlled and financed by government should also be reported under this category.

6. *Other Enterprise* – is any resident non-financial corporation or quasi-corporation that is foreign controlled or owned, or privately Cambodian controlled or owned. Examples include affiliates and branches of foreign companies operating in Cambodia, casinos, garment factories and other manufacturers, hotels, import-export companies, restaurants, retailers, wholesalers.

7. *Individual Resident* – is any resident individual, individuals or household in Cambodia, including foreign nationals residing or expecting to reside in Cambodia for a period of one year or more (refer to the residency criteria in paragraphs 14 to 17 above). Foreign long-term technical assistance experts and volunteers should be included in this category.

8. *Other Resident* – is any resident non-profit organization (including resident charities, NGOs, religious institutions, social clubs, cultural clubs, recreational clubs or sporting clubs) providing goods or services to Cambodian households for free or at significantly less than market prices.

9. *Nonresident* – is any enterprise, individual, institution or other entity that is not a resident of Cambodia (refer to the residency criteria in paragraphs 14 to 17 above). Nonresidents living or operating in Cambodia include foreign officials, diplomats, consular representatives, members of foreign armed forces, and other foreign government personnel (except for technical assistance personnel), foreign students, foreign national receiving medical treatment in Cambodia, embassies and international organizations (e.g. ADB, IMF, UN agencies and World Bank).

Other Party Codes for the Nonresident Party

41. The following classification codes are to be used to classify the nonresident party involved in each ITRS transaction:

Type of Transactor	**Transactor Code**
Nonresident Central Bank	1
Other Nonresident Depository Corporation	2
Other Nonresident Financial Institution	3
Foreign Government	4
International Institution	5
Nonresident Head Office/Parent Company/Major	6
Shareholder/Affiliate	7
Individual Nonresident	8

1. *Nonresident Central Bank* - is the central bank of another country or a regional central bank. The central bank is the national financial institution (or institutions) that exercises control over key aspects of the financial system and carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to other depository corporations.

2. *Other Nonresident Depository Corporation* – is any other nonresident depository corporation (except central banks) or quasi-corporation. Included are all nonresident units engaging in financial intermediation as a principal activity and having liabilities in the form

of deposits or financial instruments (such as short-term certificates of deposit) that are close substitutes to deposits. Deposits include those payable on demand and transferable by check or otherwise usable for making payments and those that, while not readily transferable, may be viewed as substitutes for transferable deposits. Thus, in addition to commercial banks, the definition includes merchant banks, savings banks, savings and loan associations, building societies, credit unions or credit cooperatives, rural and agricultural banks, travelers' check companies that mainly engage in financial corporation activities, and post office savings banks or other government controlled savings banks (as long as these banks are separate from government).

3. *Other Nonresident Financial Institution* – is any nonresident insurance corporation or quasi-corporation, pension fund, other non-depository financial intermediary or financial auxiliary. Included are finance companies, financial leasing companies, investment pools, securities underwriters and dealers, financial derivative intermediaries, specialized financial intermediaries (including money lenders), public exchanges and securities markets, financial agents and brokers, foreign exchange dealers and retailers, financial guarantee corporations, and insurance and pension adjustors and agents.

4. *Foreign Government* – is any government authority, council, institution, ministry or other unit at the central, provincial, or local level within the nonresident economy (including social security funds). Government units exercise legislative, judicial or executive authority over other institutional units within the Cambodian economy. Also included is any non-financial government owned enterprise or unincorporated enterprise that is owned and operated by government and that produces goods and services, including collective services or public goods. Non-profit organizations that are majority controlled and financed by foreign governments should also be reported under this category.

5. *International Institution* – is an international or regional financial or other organization (e.g. ADB, IMF, UN agencies and World Bank).

6. *Nonresident Head Office/Parent Company/Major Shareholder/Affiliate* - is any nonresident individual, corporation or quasi-corporation that is affiliated with the Cambodian party involved in the transaction. Examples include overseas affiliates, branches and subsidiaries of Cambodian companies; enterprises in which the Cambodian party has 10% or more equity interest; foreign head office or parent company of the Cambodian party; or a foreign shareholder or owner with 10% or more equity interest in the Cambodian party.

7. *Individual Nonresident* – is any nonresident individual, individuals or household, including Cambodian nationals residing or expecting to reside overseas for a period of one year or more (refer to the residency criteria in paragraphs 14 to 17 above).

8. *Other Nonresident* – is any other nonresident corporation or quasi-corporation involved in the production or provision of goods and services at market prices, or non-profit organization (including resident charities, NGOs, religious institutions, social clubs, cultural clubs, recreational clubs or sporting clubs) providing goods or services to households for free or at significantly less than market prices.

9. *Resident* – is any individual or other entity that is a resident of Cambodia (refer to the residency criteria in paragraphs 14 to 17 above). Residents living or operating abroad include Cambodian officials, diplomats, consular representatives, members of armed forces, and other government personnel (except for technical assistance personnel), Cambodians working abroad for less than one year, Cambodians studying or receiving medical treatment abroad, and Cambodian counsels and embassies.

Currency Codes

42. The following numeric classification codes are to be used to classify the currency used in each ITRS transaction:

Numerical Code	Currency
01	Argentina Peso
02	Australian Dollar
03	Bahraini Dinar
04	Bangladesh Taka
05	Brazilian Real
06	Brunei Dollar
07	Canadian Dollar
08	Chile Peso
09	Chinese Renminbi
10	Colombian Peso
11	Czech Republic Koruna
12	Danish Krone
13	Euro
14	Eygptian Pound
15	Great Britain Pound Sterling
16	Hong Kong Dollar
17	Hungarian Forint
18	Indian Rupee
19	Indonesian Rupiah
20	Isreali Shekel
21	Japanese Yen
22	Korean (South) Won
23	Kuwaiti Dinar
24	Lao Kip
25	Lebanese Pound
26	Malaysian Ringgit
27	Maltese Lira
28	Mexican Peso
29	Myanmar Kyat
30	Nepalese Rupee
31	New Zealand Dollar
32	Norwegian Krone
33	Oman Rial
34	Pakistani Rupee
35	Peru New Sol
36	Philippines Peso
37	Polish Zloty
38	Qatari Rial
39	Russian Ruble
40	Saudi Arabian Riyal
41	Singapore Dollar
42	Slovak Republic Koruna
43	South African Rand
44	Sri Lankan Rupee
45	Swedish Krona
46	Swiss Francs
47	Taiwan Dollar

48	Thai Baht
49	Turkish Lira
50	United Arab Emirates Dirham
51	United States Dollar
52	Uruguay Peso
53	Venezuela Bolivar
54	Vietnamese Dong
90	Special Drawing Rights
99	Other

Country Codes

43. The following numeric classification codes are to be used to classify the country of the nonresident party in each ITRS transaction:

Numerical code Country or area name
004 Afghanistan
008 Albania
012 Algeria
016 American Samoa
020 Andorra
024 Angola
660 Anguilla
028 Antigua and Barbuda
032 Argentina
051 Armenia
533 Aruba
036 Australia
040 Austria
031 Azerbaijan
044 Bahamas
048 Bahrain
050 Bangladesh
052 Barbados 112
Belarus
056 Belgium
084 Belize
204 Benin
060 Bermuda
064 Bhutan
068 Bolivia
070 Bosnia and Herzegovina
072 Botswana
076 Brazil
092 British Virgin Islands
096 Brunei Darussalam
100 Bulgaria
854 Burkina Faso
108 Burundi
116 Cambodia
120 Cameroon
124 Canada
132 Cape Verde
136 Cayman Islands
140 Central African Republic
148 Chad
830 Channel Islands
152 Chile
156 China
344 Hong Kong Special Administrative Region of China
446 Macao Special Administrative Region of China
170 Colombia

174 Comoros
178 Congo
184 Cook Islands
188 Costa Rica
384 Côte d'Ivoire
191 Croatia
192 Cuba
196 Cyprus
203 Czech Republic
408 Democratic People's Republic of Korea
180 Democratic Republic of the Congo
208 Denmark
262 Djibouti
212 Dominica
214 Dominican Republic
626 East Timor
218 Ecuador
818 Egypt
222 El Salvador
226 Equatorial Guinea
232 Eritrea
233 Estonia
231 Ethiopia
234 Faeroe Islands
238 Falkland Islands (Malvinas)
242 Fiji
246 Finland
250 France
254 French Guiana
258 French Polynesia
266 Gabon
270 Gambia
268 Georgia
276 Germany
288 Ghana
292 Gibraltar
300 Greece
304 Greenland
308 Grenada
312 Guadeloupe
316 Guam
320 Guatemala
324 Guinea
624 Guinea-Bissau
328 Guyana
332 Haiti
336 Holly See
340 Honduras
348 Hungary
352 Iceland
356 India
360 Indonesia

364 Iran (Islamic Republic of)
368 Iraq
372 Ireland
833 Isle of Man
376 Israel
380 Italy
388 Jamaica
392 Japan
400 Jordan
398 Kazakhstan
404 Kenya
296 Kiribati
414 Kuwait
417 Kyrgyzstan
418 Lao People's Democratic Republic
428 Latvia
422 Lebanon
426 Lesotho
430 Liberia
434 Libyan Arab Jamahiriya
438 Liechtenstein
440 Lithuania
442 Luxembourg
450 Madagascar
454 Malawi
458 Malaysia
462 Maldives
466 Mali
470 Malta
584 Marshall Islands
474 Martinique
478 Mauritania
480 Mauritius
484 Mexico
583 Micronesia, Federated States of
492 Monaco
496 Mongolia
500 Montserrat
504 Morocco
508 Mozambique
104 Myanmar
516 Namibia
520 Nauru
524 Nepal
528 Netherlands
530 Netherlands Antilles
540 New Caledonia
554 New Zealand
558 Nicaragua
562 Niger
566 Nigeria
570 Niue

574 Norfolk Island
580 Northern Mariana Islands
578 Norway
275 Occupied Palestinian Territory
512 Oman
586 Pakistan
585 Palau
591 Panama
598 Papua New Guinea
600 Paraguay
604 Peru
608 Philippines
612 Pitcairn
616 Poland
620 Portugal
630 Puerto Rico
634 Qatar
410 Republic of Korea
498 Republic of Moldova
638 Réunion
642 Romania
643 Russian Federation
646 Rwanda
654 Saint Helena
659 Saint Kitts and Nevis
662 Saint Lucia
666 Saint Pierre and Miquelon
670 Saint Vincent and the Grenadines
882 Samoa
674 San Marino
678 Sao Tome and Principe
682 Saudi Arabia
686 Senegal
690 Seychelles
694 Sierra Leone
702 Singapore
703 Slovakia
705 Slovenia
090 Solomon Islands
706 Somalia
710 South Africa
724 Spain
144 Sri Lanka
736 Sudan
740 Suriname
744 Svalbard and Jan Mayen Islands
748 Swaziland
752 Sweden
756 Switzerland
760 Syrian Arab Republic
158 Taiwan
762 Tajikistan

764 Thailand
807 The former Yugoslav Republic of Macedonia
768 Togo
772 Tokelau
776 Tonga
780 Trinidad and Tobago
788 Tunisia
792 Turkey
795 Turkmenistan
796 Turks and Caicos Islands
798 Tuvalu
800 Uganda
804 Ukraine
784 United Arab Emirates
826 United Kingdom
834 United Republic of Tanzania
840 United States
850 United States Virgin Islands
858 Uruguay
860 Uzbekistan
548 Vanuatu
862 Venezuela
704 Viet Nam
876 Wallis and Futuna Islands
732 Western Sahara
887 Yemen
891 Yugoslavia
894 Zambia
716 Zimbabwe

a/ The designations employed and the presentation of country or area names in this list do not imply the expression of any opinion whatsoever on the part of the National Bank of Cambodia concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Transactions Codes for Banks' Transactions with Nonresidents for Their Own Accounts and on Behalf of Their Clients – Receipts and Payments

44. Transaction codes 110-999 have been devised for the purpose of classifying transactions between residents of Cambodia and the rest of the world into different types to facilitate the analysis of these transactions according to broad balance of payments classifications.

45. In a few instances, some of the transactions in the ITRS are grouped together with categories to which they do not belong. This is done in order for ease of reporting these transactions or because some transactions could belong to more than one major category. An example of the former case is *prepayments received or made for goods (111),* and of the latter is *processing fees for goods (120).* Prepayments received or made for goods are actually financial account transactions and would normally be assigned one of the following transactions codes: (a) 760 - loans (short-term) extended to or repaid by non-residents; (b) 790 – other assets/claims; (c) 860 - loans (short-term) extended by or repaid to non-residents; and (d) 890 - other liabilities. These are shown in the *goods* category because the bank clients are most likely to report them in that category as these transactions are not separately identified in the financial transactions categories shown in the ITRS. According to *BPM5*, processing fees would be attributed to exports and imports of goods under some

circumstances and to services under other circumstances. It is not necessary for a commercial bank ITRS compiler to be aware of all the nuances of the classification rules that determine when processing fees should be attributed to the value of goods and when they should not. The balance of payments compiler at the NBC will make that decision.

46. The numerical transaction code used is the same for reporting receipts or payments of any particular transaction identified. For example, the transaction code for receipts or payments for goods is 110. However, receipts and payments will be reported to the NBC on separate reporting forms. Thus, forms 1R, 2R, and 3R will be used to report receipts whereas forms 1P, 2P, and 3P will be used to report payments.

47. Receipts arise as a result of exports of goods and services from Cambodia to residents of other countries, salaries, wages, and bonuses paid by nonresidents to Cambodian residents or to short-term Cambodian workers abroad, investment income (dividends, profits, and interest) received by Cambodian residents from their investments abroad, transfer receipts from abroad (migrants transfers, remittances from long-term workers abroad, pensions, and official and private gifts and grants), accumulation of financial liabilities to nonresidents or reduction of financial claims on nonresidents.

48. Payments arise as a result of imports of goods and services to Cambodia from residents of other countries, salaries, wages, and bonuses paid by Cambodians to nonresidents or to nonresident short-term workers in Cambodia, investment income (dividends, profits, and interest) paid by Cambodian residents on their financial liabilities to nonresidents, transfer payments abroad (migrants transfers, remittances from long-term workers in Cambodia, pensions, and official and private gifts and grants), accumulation of financial claims on nonresidents or reduction of financial liabilities to nonresidents.

Type of Transaction	**Transaction Code**
Current and Capital Account Transactions	
Goods	
1. Receipts or payments for goods	110
2. Prepayments received or made for goods	111
3. Processing fees for goods	120
4. Gold	130
5. Repairs on goods	140
6. Bunkers and stores	150
7. Other (purpose not specified)	199
Transportation Services	
8. Freight: sea transport	211
9. Freight: air transport	212
10. Freight: other transport	213
11. Passenger: sea transport:	221
12. Passenger: air transport	222
13. Passenger: other transport	223
14. Other transportation services	230
15. Other (purpose not specified)	239

Travel	
16. Business travel	241
17. Personal travel	242
18. Health-related travel	243
19. Education-related travel	244
20. Other (purpose not specified)	*249*
Other Services	
21. Telephone and other telecommunication services	310
22. Postal services and settlements	311
23. Other communication services (purpose not specified)	*319*
24. Construction services	320
25. Insurance: Premiums	331
26. Insurance: Claims	332
27. Other insurance services (purpose not specified)	*339*
28. Financial services, excluding insurance	340
29. Computer and information services	350
30. Royalties and license fees.	360
31. Operational leasing services	372
32. Other business, professional, and technical services	378
33. Administrative, operating expenses between head office and subsidiaries	379
34. Personal, cultural, and recreational services	382
35. Embassy expenditures and government services, n.i.e.	390
36. Other (purpose not specified)	*399*
Income	
37. Compensation of employees (e.g. salaries, allowances, bonuses)	400
38. Dividends	510
39. Distribution of profits	520
40. Interest on deposits	521
41. Interest on credits and loans	522
42. Interest on securities	523
43. Other (purpose not specified)	*599*
Transfers	
44. Migrants transfers on immigration or emigration	610
45. Workers' remittances	620
46. Pensions	621
47. Official grants/development assistance	630
48. Grants and gifts – private	640
49. Other (purpose not specified)	*699*
Financial Account Transactions	
Assets/claims on nonresidents	
50. Shares: purchase or sale of shares	710
51. Other equity: investment or withdrawal of investment	720
52. Bonds and notes (long-term securities): purchase or sale	730
53. Money market instruments (short-term securities): purchase or sale	740
54. Loans (long-term): extended to or repaid by non-residents	750
55. Loans (short-term): extended to or repaid by non-residents	760
56. Deposits with nonresident banks: deposit or withdrawal	770
57. Options, futures, warrants, swaps, etc.	780
58. Other assets/claims	790
59. *Other (purpose not specified)*	799

Liabilities to nonresidents	
60. Shares: purchase or sale of shares	810
61. Other equity: investment or withdrawal of investment	820
62. Bonds and notes (long-term securities): purchase or sale	830
63. Money market instruments (short-term securities): purchase or sale	840
64. Loans (long-term): extended by or repaid to non-residents	850
65. Loans (short-term): extended by or repaid to non-residents	860
66. Deposits with Cambodian banks: deposit or withdrawal	870
67. Options, futures, warrants, swaps, etc.	880
68. Other liabilities	890
69. Other (purpose not specified)	899
Transactions that could not be classified	
70. Please provide the NBC with a copy of the form (1R or 1P)	999

Current and Capital Account Transactions

Goods **-** Transactions 1to 7 represented by transaction codes *110-199* refer to receipts or payments for exports and imports of goods. Included in this category are prepayments received or made for goods (transaction 111). Prepayments received are by Cambodian exporters from importers in other countries and prepayments made are by Cambodian importers to exporters abroad. Therefore, these transactions will be reported on the appropriate Receipts and Transactions forms. The Balance of Payments Statistics Division (BOPSD) at the NBC will assign the prepayment received by the Cambodian exporter to *860 Receipts* since it is a short-term liability to the importer until the importer receives the goods. When the final settlement is made, the ITRS will capture the balance in transaction code *110* as a receipt. The BOPSD at that time will expunge the short-term liability to the nonresident importer (the pre-payment received earlier) and will make an entry in *860 Payments* and another entry of equal value in *110 Receipts.* The twin entries made by the ITRS and the BOPSD at the time when the final settlement is made will constitute the value of the exports. There is likely to be a time lag between the time the nonresident importer receives the goods (which is the time that the change in ownership takes place) and the time when the financial settlement is made. If so, the BOPSD will make the necessary adjustments to the BOP data.

Transactions 1 and 3-6 represent the various categories of goods identified in *BPM5.* Transaction 1 represents all other goods *(general merchandise)* that are not identified in 3-6. Transaction 3 represents goods for processing. This requires further explanation. According to *BPM5,* goods that are sent from Country A to Country B for further processing and then brought back should be treated as exports when sent and as imports when received. The difference in the two values would be equivalent of the processing fees paid to country B. However, the enterprises involved in these transactions would not treat these as exports and imports. They would be treated as goods on consignment and no financial transactions would be associated with these transactions. At the time the goods are returned, Country A will pay a processing fee to Country B. This will be treated as a *Payment by Country A and as a Receipt by Country B.* Customs and the BOPSD will assign the appropriate export and import values for such transactions. If Country A is Cambodia, the processing fee will be added to the export value of the goods together with other expenses such as transportation costs to derive the imported value. *The ITRS will only reflect the processing fees and not the value of the unprocessed goods. It is important that the ITRS compilers assign the transaction code 120 to processing fees for goods and not any of the codes in Other Services.*

In some instances, Country A will consign a product to country B for processing and then sell it to Country C without re-importing the product to Country A. *In such an instance, Country A will show the value of exports (after processing) to Country C. The processing fee paid to country B will then be shown as a service fee assigned to transaction 30 with the transaction code of 378.* In these instances, additional explanations in the appropriate reporting forms will be helpful.

1. *Receipts or payments for goods (110)* – includes all other export (receipt) or import (payment) of goods (general merchandise) that are not classified in transactions 3-6. General merchandise covers most movable goods that residents export to, or import from, nonresidents and that, with a few specified exceptions, undergo changes in ownership.

2. *Prepayments received or made for goods (111)* – includes prepayments received by Cambodian exporters from importers in other countries and prepayments made by Cambodian importers to exporters abroad.

3. Processing fees for goods (120) – are fees paid or received for the processing of goods. For example, goods are sent from Country A to Country B for further processing and then brought back should be treated as exports when sent and as imports when received. The difference in the two values is the equivalent of the processing fees paid to country B. *It is important that the ITRS compilers assign the transaction code 120 to processing fees for goods and not any of the codes in Other Services. The balance of payments compilers at the NBC will make the necessary adjustments to these data as necessary.* At present, Cambodia is not known to either export or import goods for the purpose of processing and therefore it is not expected that any transactions for processing would be reported in the ITRS. In the balance of payments statistics, goods that are sent to or received from abroad for processing that involve a substantial physical change are distinguished from other processing. Goods that cross frontiers for processing and reclassified, upon return, in a different three-digit group of the Central Product Classification (CPC) are included on a gross basis, under goods. The value of other processing is recorded under services. However, some may regard the garments industry in Cambodia as essentially a processing industry where the garments factories cut, manufacture, and trim (CMT) the imported fabrics and accessories into garments. This view gains some credibility since most garments factories in Cambodia do not take any decisions or control the import of raw materials or the exports of the finished garments. Both imports and exports are arranged by the owners of the factories who are resident abroad and payments for imports are made by them and exports receipts are remitted to them directly. Therefore, the various transactions between the factory owners and the factories once they are operational may relate only to payments for working capital requirements such as wages, utilities, rent etc. Garments factories may report these transactions as either processing fees for goods (120), other equity: investment or withdrawal of investment (820), or other liabilities (890). *It is recommended that the ITRS compiler obtain additional information from the garments factories when they report transactions to enable the balance of payments compilers at the NBC to make the appropriate adjustments.*

4. *Gold (130)* - refers to non-monetary gold. Non-monetary gold covers exports and imports of all gold not held as *reserve assets.* Gold used in production (e.g. industrial, production of jewelry) and as a store of value should be included in this category. Transactions that relate to gold associated with the monetary transactions of the NBC should not be included here. BOP Division will obtain transactions related to *reserve assets* directly from the relevant departments of the NBC and not from the ITRS.

Therefore, only gold that is imported or exported for industrial use (manufacture of jewelry) or as a store of value by institutions other than the NBC, enterprises (including goldsmiths, importers and exporters), and individuals should be included in this item.

5. Repair on goods (140) - refers to value of all repairs on goods. Proper classification of this item poses problems in an ITRS. The System of National Accounts (SNA) distinguishes between repairs performed on investment goods and those performed on other goods. The latter are included under services in the SNA. However, the *BPM5* recommends that the value of all repairs be included under goods. This recommendation is made because of the practical difficulty involved in making distinctions between the two types of goods and the fact that the bulk of international repairs are performed on investment goods. Excluded are construction repairs (recorded under *construction services),* computer repairs (recorded under *computer and information services),* and maintenance performed in ports and airports on transportation equipment (recorded under *other transportation services).*

6. Bunkers and stores (150) – include all goods procured in ports by carriers (airplanes and ships) such as fuel, (food and other) provisions, stores, and supplies that resident/nonresident carriers (air, shipping, etc) procure abroad or in Cambodia. The classification does not cover auxiliary services (towing, piloting, maintenance, etc), which are covered under *other transportation services (transaction 14 or transaction code 230).*

7. *Other, purpose not specified (199)* - is a residual category for goods transactions whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category. This classification category should be used by the ITRS compilers only when sufficient information is not available to code a transaction in *goods* to any of the other six categories discussed above.

Transportation Services – Transactions 8 to 15 represented by transaction codes *211-239,* cover most of the *transportation services* that are performed by Cambodians for nonresidents and vice versa. However, *transportation services* utilized by nonresident travelers within Cambodia to resident carriers should be shown to *travel (transactions 16-18).* Also, freight insurance should be covered under *insurance services (transaction 23-24 or transaction codes 331-332). Transportation* includes freight and passenger transportation by all modes of transportation and other distributive and auxiliary services, including rentals of transportation equipment with crew. *Transportation services* are covered by transactions 8-15 or transaction codes 211 to 239.

Importers and exporters usually engage the services of transportation companies directly or through agents. Importers eventually pay for the cost of transportation of goods even though the exporters may have arranged for these services. In such instances, the payments made by the importers include not only the cost of goods but that of transportation as well. In other instances, the importers may pay for the transportation of goods directly to the transportation companies or agents acting on behalf of transportation companies. If a Cambodian importer engages the services of a Cambodian transportation company to import goods into Cambodia, it is a resident to resident transaction and therefore it does not have to be reported on the ITRS forms. If the transportation company is nonresident, then the transportation charges have to be reported on the ITRS.

According to balance of payments concepts, transportation costs include only those that are charged from the port of loading of the exporting country to the port of unloading of the importing country. The cost of transportation from factory gate or farm gate to the port of loading is included in the cost of goods. In the case of overland transportation of goods by trucks (for example from Thailand to Cambodia through Poipet), the goods

(e.g. steel or cement) may be shipped by a Thai trucking company, from Bangkok to the place of business of the importer in Siem Reap. In this case, the cost of goods and transportation cost from Bangkok to Poipet will constitute the free on board (f.o.b.) cost of goods. The cost of goods in Bangkok (excluding the cost of transportation to Poipet) is called factory gate price. According to balance of payments concepts, the f.o.b. cost constitutes the cost of imported goods. In the above example, the cost of transportation from Poipet to Siem Reap should be included in transportation cost or payments since the services of a nonresident trucker are utilized.

Therefore, when transportation payments or receipts are reported on the ITRS forms, it would be helpful if additional information is provided, to the extent possible, on the mode of transportation, the residency of the transportation companies, and other details such as the cost of transportation from the factory gate to the port of loading and any transportation services provided by nonresident truckers within the geographical boundaries of Cambodia.

In the case of transportation of passengers, the cost of transportation provided by nonresident modes of transportation (such as airlines, ships, automobiles etc) to nonresidents visiting Cambodia should not be reported on the ITRS. However, transportation costs paid by nonresidents to Cambodian resident transportation modes (irrespective of their ownership) should be reported. For example, the President Airlines of Cambodia is a resident of Cambodia even though it is owned by nonresidents. But Bangkok Airlines is not a resident of Cambodia. Therefore payments made to it by nonresidents should not be reported on the ITRS.

The cost of transportation within Cambodia by nonresidents should be included in travel and not in transportation according to balance of payments concepts. If such transportation is provided by nonresident carriers to nonresidents, then those payments should not be reported on the ITRS.

In the case of residents, transportation costs paid to nonresident carriers should be reported and not those paid to resident carriers.

Cambodian residents traveling abroad may obtain the required funds by making withdrawals from their foreign currency accounts held in Cambodian banks, or buying foreign currencies or travelers checks from the banks or utilizing their credit cards. To the extent possible, the banks should report the cost of transportation paid to nonresident carriers separately from other costs of travel. *The passenger transportation cost (from Cambodia to the port of disembarkation) should be assigned one of the transaction codes in the range 221-223. Other travel costs including transportation within the countries visited should be assigned one of the transaction codes in the range 241-249.*

8. *Freight: sea transport (211)* – includes the costs of transportation from the customs border of the exporting country to the importing country, as well as, within the importing country to the point of delivery. Include costs of loading on board ship or the unloading of goods from ships where this service is specified under the freight contract. Payments for freight on all imports should be recorded as a payment, while payments for freight on exports should be recorded as a receipt only when these freight services are provided by Cambodian owned carriers. Please note that the flag flown or the country of registration is not to be used to determine ownership. Also included as a receipt are payments received for freight services provided by Cambodian carriers between other countries (e.g. goods transported between Thailand and Vietnam). Please note that there are currently no Cambodian owned shipping lines.

9. *Freight: air transport (212)* – includes the costs of transportation from the customs border

of the exporting country to the importing country, as well as, within the importing country to the point of delivery. Include costs of loading on board or the unloading of goods from airplanes where this service is specified under the freight contract. Payments for freight on all imports should be recorded as a payment, while payments for freight on exports should be recorded as a receipt only when these freight services are provided by Cambodian owned carriers (i.e. President and Phnom Penh Airlines). Also included as a receipt are payments received for freight services provided by Cambodian carriers between other countries (e.g. goods transported between Thailand and Vietnam).

10. *Freight: other transport (213)* – includes the costs of transportation from the customs border of the exporting country to the importing country, as well as, within the importing country to the point of delivery. Include costs of loading on board or the unloading of goods from trucks or railway trucks where this service is specified under the freight contract. Payments for freight on all imports should be recorded as a payment, while payments on exports should be recorded as a receipt only when these freight services are provided by Cambodian owned trucking services or railways. Also included as a receipt are payments received for freight services provided by Cambodian carriers between other countries (e.g. goods transported between Thailand and Vietnam).

11. *Passenger: sea transport (221)* – includes all passenger services between Cambodia and other countries provided by Cambodian ships to nonresident passengers (receipts) and nonresident ships to Cambodian passengers (payments). Passenger services provided to Cambodian passengers by nonresident carriers within Cambodia should also be included here. Passenger services provided to nonresident passengers by Cambodian carriers within Cambodia should be reported under the travel category. Passenger services charges include fares, charges for excess baggage, vehicles, or other personal accompanying effects and expenditures for food, drink, or other items for which passengers make expenditures while on board carriers.

12. *Passenger: air transport (222)* – includes all passenger services between Cambodia and other countries provided by Cambodian airlines (i.e. President Airlines and Phnom Penh Airlines) to nonresident passengers (receipts) and nonresident airlines to Cambodian passengers (payments), e.g. Bangkok Airways, Silk Air. Passenger services provided to Cambodian passengers by nonresident carriers within Cambodia should also be included here. Passenger services provided to nonresident passengers by Cambodian carriers within Cambodia should be reported under the travel category. Passenger services charges include fares, charges for excess baggage or other personal accompanying effects and expenditures for food, drink, or other items for which passengers make expenditures while on board carriers.

13. *Passenger: other transport (223)* – includes all passenger services between Cambodia and other countries provided by Cambodian land transport services (i.e. Cambodian owned bus services) to nonresident passengers (receipts) and nonresident land transport services to Cambodian passengers (payments), e.g. Laos, Thai or Vietnamese owned bus services. Passenger services provided to Cambodian passengers by nonresident carriers within Cambodia should also be included here. Passenger services provided to nonresident passengers by Cambodian carriers within Cambodia should be reported under the travel category. Passenger services charges include fares, charges for excess baggage or other personal accompanying effects and expenditures for food, drink, or other items for which passengers make expenditures while on board carriers.

14. *Other transportation services (230)* – includes rental or operational leases made by residents to nonresidents (receipt) and vice-versa (payment) of vessels, aircraft, freight

cars, or other commercial vehicles with crews for limited periods (such as a single voyage) for the carriage of freight or passengers. Also included are payments or receipts for auxiliary services provided in ports, airports and other terminal facilities (e.g. cargo handling, storage and warehousing, packing and repacking, towing, pilotage, navigational aid for carriers, maintenance and cleaning of transportation equipment, salvage operations, commissions and agents fees etc.).

15. *Other, purpose not specified (239)* - is a residual category for transport services transactions whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Travel – Transactions 16 to 20 represented by transaction codes *241 to 249*, covers goods and services, including those related to health and education-acquired from Cambodia by nonresident travelers (and vice versa) for business and personal purposes during their visits of less than one year. *Travel* excludes international passenger services, which are included in *transportation.* Students and medical patients are treated as travelers, regardless of the length of stay. Military and embassy personnel and nonresident workers (stay in another country of less than one year) are not regarded as travelers. However, expenditures by nonresident workers are included in *travel,* while those of military and embassy personnel are included in *government services n. i.e.*

16. *Business travel (241)* – includes business travel related transactions (of a personal nature) including travelers coming to Cambodia (receipts) or going abroad (payments) for all types of business activities, carrier crews stopping off or staying over, employees of international organizations on official business, and employees doing work for businesses that are not resident in the economy where the work occurs. Business travelers include sales persons, academics, commercial negotiators, product buyers, mission members, engineers and technicians, etc. Official travel by government and international organization employees should not be included here but reported under government services n.i.e.

17. *Personal travel (242)* – includes personal travel related transactions for travel other than for business, education, health or official reasons. Includes travel for leisure and holidays, cultural and religious activities, sports, visiting friends and relatives by nonresidents in Cambodia (receipt) or Cambodians abroad (payment). All travel expenses on the purchase of goods and services within the economy should be included here (e.g. hotel accommodation, entertainment and entry fees, drinks and meals, transportation within the economy, gifts and souvenirs etc.). Official travel by government and international organization employees should not be included here but reported under government services n.i.e.

18. *Health-related travel (243)* – includes health-related travel transactions where Cambodian residents travel abroad for medical reasons (payment) or vice-versa (receipt), regardless of the length of stay by nonresidents in Cambodia or Cambodians abroad.

19. *Education-related travel (244)* – includes education-related travel transactions includes education-related travel transactions where Cambodian residents travel abroad for study (receipt) or vice-versa (payment), regardless of the length of stay by nonresidents in Cambodia or Cambodians abroad.

20. *Other, purpose not specified (249)* - is a residual category for travel related transactions by nonresidents in Cambodia (receipt) or Cambodians abroad (payment), whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Other Services **-** are covered by transactions 21 to 36 represented by transaction codes 3 10-399. These are further subdivided into various categories.

21. Telephone and other telecommunication services (310) - includes payments to nonresidents or receipts from nonresidents for telephone and other telecommunication services, such as transmission of sound, images, and other information by telephone, telex, telegram, cable, broadcasting, satellite, electronic mail, facsimile services, etc. and includes business network services, teleconferencing, and support services, as well as, associated maintenance. The Ministry of Posts and Telecommunications in Cambodia has significant communications related transactions with nonresidents. These include services provided as well as received. Receipts for services provided to and payments for services received from the nonresident counterparts are usually settled on a net basis. However, the NBC officials need the data on gross payments and gross receipts, which would entail additional reporting burden for the banks. *Therefore, it is recommended that the banks report the data on a net settlement basis as would be done by the banks' clients and that the NBC oficials follow up with the respondents to obtain the gross data.*

22. *Postal services and settlements (311)* – includes payments to nonresidents or receipts from nonresidents for postal and courier services, including pickup, transport, and delivery of letters, newspapers, periodicals, brochures, other printed material, parcels, and packages by national postal administrations and other operators. Also included are post office courier and mailbox rental services. The Ministry of Posts and Telecommunication in Cambodia has significant communications related transactions with nonresidents. These include services provided as well as received. Receipts for services provided to and payments for services received from the nonresident counterparts are usually settled on a net basis. However, the NBC officials need the data on gross payments and gross receipts, which would entail additional reporting burden for the banks. *Therefore, it is recommended that the banks report the data on a net settlement basis as would be done by the banks' clients and that the NBC oficials follow up with the respondents to obtain the gross data.* International courier services such as DHL and FedEx may operate in Cambodia through local offices established by them or through agents. Any payments to or receipts from the parent companies or their affiliates abroad of these international courier companies for communication services should be shown here.

23. *Other communication services, purpose not specified (319)* - is a residual category for payments to nonresidents or receipts from nonresidents for communication services whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

24. *Construction services (320)* - includes payments to nonresidents or receipts from nonresidents for construction and installation project work that is, on a temporary basis, performed in Cambodia/abroad or in extraterritorial enclaves by nonresident/resident enterprises and associated personnel. Such work does not include work that is undertaken by a foreign direct investment enterprise (FDIE). Temporary basis means work that is generally performed for less than one year. Extraterritorial enclaves in Cambodia include embassies, and consulates of foreign governments as well as offices of international organizations such as the World Bank, IMF, Asian Development Bank, etc. A foreign direct investment enterprise in Cambodia is the subsidiary, affiliate, or branch of an enterprise located in a country other than Cambodia. If *construction services* are provided by a Cambodian construction company to a foreign embassy located in Cambodia, they should be reported as receipts. Similarly, if *construction*

services are provided by a foreign construction company to a Cambodian embassy located abroad, they should be reported as payments.

25. *Insurance: premiums (331)* – includes premiums paid by Cambodians (payments) for the provision of insurance services by nonresidents and vice versa (receipts). This item comprises insurance premiums paid or received for freight insurance (on goods exported and imported), other types of direct insurance (including life and non-life), and reinsurance. At present, there are very few insurance companies in Cambodia. These do not generally engage in international transactions except for some re-insurance and possibly some freight insurance on behalf of Cambodian importers. Other international transactions by Cambodian insurance companies related to life and non-life are practically non-existent. However, some enterprises in Cambodia obtain fire and casualty insurance directly or through their parent companies or affiliates from foreign insurance companies. Such payments too should be included under *insurance services.* Also recorded as *insurance services* are agent commissions related to insurance transactions.

26. *Insurance: claims (332)* – includes claims paid out to Cambodians by nonresidents (receipts) and vice versa (payments). This item comprises claims paid or received for freight (on goods exported and imported), other types of direct insurance (including life and non-life), and reinsurance.

27. *Other insurance services (339)* - is a residual category for payments to nonresidents or receipts from nonresidents for insurance services whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category. This item comprises payments or receipts for freight insurance (on goods exported and imported), services provided for other types of direct insurance (including life and non-life), and services provided for reinsurance.

28. *Financial services, excluding insurance (340)* - includes financial intermediation and services and auxiliary services conducted between residents of Cambodia and nonresidents. Included are commissions and fees for letters of credits, lines of credits, foreign exchange transactions, and consumer and business credit services paid to nonresidents (payments) or received from nonresidents (receipts). Service charges on purchases of IMF resources are included here as financial service payments, as are charges (similar to commitment fees) associated with un-drawn balances under stand-by or extended arrangements with the IMF.

29. *Computer and information services (350)* - includes payments to nonresidents or receipts from nonresidents related to hardware consultancy, software implementation, information services (data processing, data base development and storage, news agency), and maintenance and repair of computers and related equipment.

30. *Royalties and license fees (360)* - includes receipts (exports) and payments (imports) of residents and nonresidents for (a) the authorized use of intangible non-produced, non-financial assets and proprietary rights-such as trademarks, copyrights, patents, processes, techniques, designs, manufacturing rights, franchises, etc. and (b) the use, through licensing agreements, of produced originals or prototypes – such as manuscripts, films, etc.

31. *Operational leasing services (372)* - includes payments to nonresidents or receipts from nonresidents for rental of equipment without operators and covers resident-nonresident leasing (other than financial leasing) and charters of ships, aircraft, and transportation equipment such as railway cars, containers, rigs, etc. without crew. A financial lease should not be recorded here as it is a means by which the lessee finances the purchase of the good. The full equivalent of the market value of the goods should be

recorded under *goods* and not in *services.* However, the transactions related to financial leases that go through the Cambodian banking system will reflect only the periodic lease payments which consist of the amortization of the principal and interest payments. Information collected by the commercial banks from their clients on the nature of the leases *(operational or financial)* would help the balance of payments compilers to code these transactions appropriately.

32. *Other business, professional, and technical services (378)* – includes payments to nonresidents or receipts from nonresidents for services provided by residents to nonresidents and vice versa, including merchanting and other trade-related services, and miscellaneous business, professional and technical services.

33. *Administrative and operating expenses between head ofices and subsidiaries and branches (379)* - includes various business related services provided to (receipt)/from (payment) head offices and subsidiaries situated in different economies (e.g. accounting and legal services provided by Raffles International Hotel in Singapore, the parent company, to its subsidiary Le Royal Raffles Hotel in Phnom Penh).

34. *Personal, cultural, and recreational services (382)* - includes payments to nonresidents or receipts from nonresidents for audiovisual and related services, and other cultural services provided by Cambodian residents to nonresidents and vice versa.

35. *Embassy expenditures and government services, n.i.e. (390)* - includes all services associated with embassies, consulates, military units, defense agencies, government sectors or international and regional organizations and not classified under other items provided by Cambodians (receipts) or received from nonresidents (payments). Included are receipts from nonresidents or payments to nonresidents for office supplies, furnishings, utilities, official vehicles and their maintenance and operation, official entertainment, and personal expenditure by diplomats and consular staff and their dependents. Also included are expenditure by aid missions, government investment and tourism promotion not reported under other categories.

36. *Other, purpose not specified (399)* – is a residual category for payments to nonresidents or receipts from nonresidents for other services transactions whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Income **-** is covered by transactions 37 to 43 or transaction codes *400-599.* Income includes compensation of employees and investment income.

37. *Compensation of employees (400)* - includes wages, salaries, and other benefits, in cash or in kind, earned by Cambodian individuals (receipts) and nonresident individuals (payments), and includes those of border, seasonal, and other short-term (less than one year) resident and nonresident workers (e.g. local staff of embassies). Compensation by international organizations to long-term international experts working in Cambodia should be reported here as receipts.

38. *Dividends (510)* – includes dividends paid by Cambodians (payment) or received (receipt) from direct or portfolio equity investment (i.e. investment in shares or ownership of listed or unlisted companies or enterprises).

39. *Distribution of profits (520)* – includes the distribution of profits by Cambodian branches of foreign enterprises to their foreign head office (payment), or the distribution of profits by foreign branches of Cambodian enterprises to their Cambodian head office (receipt). Rents received by Cambodian residents owning property abroad should be reported under this category.

40. *Interest on deposits (521)* – includes interest received (receipts) by Cambodian residents on deposits held in nonresident banks and other financial institutions abroad and interest paid to nonresident deposit holders living abroad by Cambodian resident banks and other financial institutions (payments).

41. *Interest on credits and loans (522)* – includes interest received (receipts) on credits and loans made to nonresidents by Cambodian financial institutions and enterprises (including direct investors or direct investment enterprises), and interest paid (payments) on credits and loans extended to Cambodian residents by nonresident financial institutions and enterprises (including direct investors or direct investment enterprises).

42. *Interest on securities (523)* – includes interest received (receipts) on debt securities, such as money market instruments (e.g. Treasury bills and other short-term instruments) and bonds and notes (i.e. debt securities with a maturity of one year or more) by Cambodian residents from nonresidents, and interest paid (payments) on debt securities, such as money market instruments (e.g. bills and other short-term instruments) and bonds and notes (i.e. debt securities with a maturity of one year or more) by Cambodian residents to nonresidents. Please note that as there are currently no bond or money market instruments issued by Cambodian residents, there should be no payments reported under this category.

43. *Other, purpose not specified (599)* - is a residual category for income transactions whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Transfers - are covered by transactions 44 to 49 or transaction codes *610 to 699.*

44. *Migrants transfers on immigration or emigration (610)* - includes cash transferred into Cambodia by immigrants or long-term residents (over one year) with the exception of diplomats and employees of international organizations, foreign military and other foreign government representatives should be shown in this account in the ITRS as receipts. Similarly any cash transferred abroad by Cambodians emigrating or taking up long-term residency abroad (over one year) with the exception of Cambodian diplomats and other Cambodian government representatives abroad should be shown in this account in the ITRS as payments.

45. *Workers' remittances (620)* - includes receipts by Cambodian residents of remittances by migrants who are employed in foreign countries and considered residents there. A migrant is a person who is expected to stay in a foreign country for a year or more. Workers' remittances often involve related persons and friends. Cambodians who work for and stay in foreign countries for less than a year are considered residents of Cambodia. Their transactions are appropriate mainly to the component for compensation of employees. Conversely, remittances by foreign migrants employed in Cambodia to relatives and friends abroad should be reported under this category as payments.

46. *Pensions (621)* – includes pensions received in Cambodia by Cambodian residents who had formerly worked for foreign governments or other foreign organizations should be shown as receipts and any pensions paid by Cambodian government or organizations to residents abroad should be shown as payments.

47. *Official grants/development assistance (630)* - includes cash transfers effected between governments for the purpose of financing current expenditures by the recipient government; cash transfers associated with relief efforts in the wake of famine,

earthquakes, floods, war, and other natural disasters; and cash grants for development projects such as for building of roads and other infrastructure.

48. *Grants and gifts – private (640)* - include grants and gifts from individuals (other than workers' remittances) and nongovernmental organizations (NGOs).

49. *Other, purpose not specified (699)* - is a residual category for transfers whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Financial Account Transactions - The classification adopted in the ITRS is a two tier classification in contrast to the five tier classification used in *BPM5* to classify financial transactions. In *BPM5*, the financial account is first classified on a functional basis into the following categories: direct investment, portfolio investment, financial derivatives, other investment, and reserve assets. These categories with the exception of direct investment are further classified into assets and liabilities. Direct investment is classified on a functional basis into direct investment abroad and direct investment in reporting economy. The third tier of classification is by financial instruments such as equity and debt securities. The fourth tier of classification is by the various sectors in Cambodia who are either the creditors (holders of the assets) or the debtors (holders of the liabilities). The various Cambodian sectors identified for this purpose are (a) the Monetary authority (National Bank of Cambodia), (b) General government which includes the Royal Government of Cambodia as well as the various regional and local governments such as the provinces, cities, and communes, (c) Commercial banks, (d) and other sectors such as enterprises (including government enterprises), non-government enterprises, and individuals. The fifth tier of classification is based on the duration or term of the financial instrument such as long-term or short-term. All financial instruments that mature within one year are classified as short-term and those with maturities over one year are termed long-term.

It is not necessary for the ITRS compiler to know the definitions and the detailed five-tier classification system of *BPM5*. If the ITRS compilers are able to obtain data on the basis of the two-tier classification system reflected in the various reporting forms, then the balance of payments compilers will be able to convert the data to fit the five-tier classification system of the *BPM5* with the help of other information provided on the forms as well as data collected by them directly from various respondents.

Assets/claims on Nonresidents - are covered by transactions 50 to 59 representing transaction codes *710-799.* These transaction codes have been simplified in the ITRS forms (compared to the structure in *BPM5)* to reflect the Cambodian circumstances. Therefore, in the ITRS forms the *financial account transactions* have been broadly classified for *assets or claims on nonresidents.* Under this broad category of assets, various financial instruments such as shares, bonds and notes, money market instruments, loans and deposits are identified. Acquisition of assets abroad will be reported as payments and withdrawal of assets as receipts.

50. *Shares: purchase or sales of shares (710)* – includes transactions involving the purchase (payment) or sale (receipt) of shares in nonresident corporations (i.e. Cambodian direct or portfolio investment abroad). Direct investments abroad are made by Cambodian direct investors. A Cambodian direct investor is an investor who seeks a significant voice in the management of an enterprise operating in a country other than Cambodia. The ownership of ten percent of the equity of the company (usually also ten percent of the voting rights) is considered sufficient to exercise a significant voice in the management of a company. At present, the amount of identified Cambodian direct investment abroad is small. It is likely that Cambodian individuals have portfolio investments abroad in equity securities.

Investment of less than ten percent in the equity security of a foreign company by a Cambodian resident would constitute portfolio investment abroad. To the extent that acquisition and disposition of such assets are executed through the Cambodian banking system, these transactions should be reflected in the ITRS.

51. *Other equity: investment or withdrawal of investment (720)* – includes transactions involving new or increased investment (payment) or withdrawals of investment (receipt) in unincorporated direct investment enterprises abroad - such as equity in a branch operation abroad of a Cambodian enterprise or investments in real estate abroad by Cambodian individuals and enterprises. According to *BPM5,* investments in real estate should be treated as direct investment.

52. *Bonds and notes (long-term securities): purchase or sale (730)* – includes transactions involving the purchase (payment) or sale (receipt) of bonds, notes and other long-term marketable debt securities (with a maturity of one year or more). Bonds and notes are considered long-term debt securities even if the holder disposes of the investment within one year.

53. *Money market instruments (short-term securities): purchase or sale (740)* - includes transactions involving the purchase (payment) or sale (receipt) of bills and other money market instruments. Money-market instruments mature under a year and hence are short-term debt securities.

54. *Loans (long-term): extended to or repaid by nonresidents (750)* – includes transactions involving the provision (payment) or repayment (receipt) of loans to non-residents by Cambodian residents, where the maturity period for the loans is one year or more. The holders of these assets are monetary authorities, general government, banks, and other sectors.

55. *Loans (short-term): extended to or repaid by nonresidents (760)* – includes transactions involving the provision (payment) or repayment (receipt) of loans to non-residents by Cambodian residents, where the maturity period for the loans is less than one year. The holders of these assets are monetary authorities, general government, banks, and other sectors. Trade credits should also be included in these transactions.

56. *Deposits with nonresident banks: deposit or withdrawal (770)* – includes transactions involving deposits (payments) or withdrawals (receipts) of currency and deposits with nonresident banks by Cambodian residents. The holders of these assets are the monetary authorities, general government, banks, and other sectors.

57. *Options, futures, warrants, swaps etc. (780)* – includes transactions involving financial derivatives such as options, futures, warrants, swaps etc. There are no known transactions in financial derivatives between Cambodians and nonresidents now or expected in the near future. Therefore, these transactions are not likely to be collected through the ITRS.

58. *Other assets/claims (790)* – includes transactions comprising other assets/claims on nonresidents by Cambodian residents other than shares and other equity, loans, currency and deposits and financial derivatives. Capital subscriptions to international non-monetary organizations are to be classified under this category, as are miscellaneous prepayments made.

59. *Other, purpose not specified (799)* - is a residual category for transactions relating to assets and claims on nonresidents whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Liabilities to Nonresidents - are covered by transactions 60 to 69 representing

transaction codes *810-899.* These transaction codes have been simplified in the ITRS forms (compared to the structure in *BPM5)* to reflect the Cambodian circumstances. Therefore, in the ITRS forms the *financial account transactions* have been broadly classified for *liabilities to nonresidents.* Under this broad category of liabilities, various financial instruments such as shares, bonds and notes, money market instruments, loans and deposits are identified. Increases in liabilities to nonresidents will be shown as receipts and decrease in liabilities as payments.

60. *Shares: purchase or sales of shares (810)* – includes transactions involving the purchase (receipt) or sale (payment) of shares in Cambodian corporations (i.e. direct or portfolio investment in Cambodia). At present, the amount of identified direct investment in Cambodia is significant. Direct investments in Cambodia are made by foreign direct investors. A foreign direct investor is an investor who seeks a significant voice in the management of an enterprise operating in Cambodia (i.e. a foreign direct investment enterprise). The ownership of ten percent of the equity of the company (usually also ten percent of the voting rights) is considered sufficient to exercise a significant voice in the management of a company. The best known foreign direct investment enterprises in Cambodia are the garment factories owned by investors from China, Hong Kong, Taiwan, Malaysia, Singapore and Indonesia. Other foreign direct investments in Cambodia include the tourism industry such as the hotels, consumer goods industries such as the manufacture of beer, soft drinks, and cigarettes, utilities such as cell phones and generation of electricity. If these investments are made in Cambodian incorporated companies, the equity investments made by the foreign direct investors (registered capital) should be attributed to shares. Investment of less than ten percent in the equity security of a Cambodian company by a foreign resident would constitute portfolio equity investment in Cambodia. So far, only a small amount of equity portfolio investment has been identified in Cambodia. Since there are no publicly held shares of Cambodian companies, all direct and portfolio investments in Cambodia are privately held. Until an active stock market develops in Cambodia, portfolio investment will tend to be negligible. To the extent that acquisition and disposition of such liabilities are executed through the Cambodian banking system, these transactions should be reflected in the ITRS.

61. *Other equity: investment or withdrawal of investment (820)* – includes transactions involving new or increased investment (receipt) or withdrawals of investment (payment) in unincorporated direct investment enterprises in Cambodia - such as equity in a branch operation of a foreign enterprise in Cambodia or investments in real estate in Cambodia by nonresident individuals and enterprises. According to *BPM5,* investments in real estate should be treated as direct investment. According to the laws of Cambodia, non-citizens cannot own real estate in Cambodia. However, there are citizens of Cambodia who are resident abroad and may own real estate in Cambodia. Since balance of payments statistics are based on residency rather than citizenship, such investments should be recorded under this category.

62. *Bonds and notes (long-term securities): purchase or sale (830)* – includes transactions involving the purchase (receipt) or sale (payment) of bonds, notes and other long-term marketable debt securities (with a maturity of one year or more). Bonds and notes are considered long-term debt securities even if the holder disposes of the investment within one year. As there are currently no marketable bonds or notes issued in Cambodia, there are likely to be no ITRS transactions for this category in the near future.

63. *Money market instruments (short-term securities): purchase or sale (840)* - includes transactions involving the purchase (receipt) or sale (payment) of bills and other money market instruments. Money-market instruments mature under a year and hence are short- term debt securities. As there are currently no money-market instruments issued in Cambodia, there are likely to be no ITRS transactions for this category in the near future.

64. *Loans (long-term): extended by or repaid to nonresidents (850)* – includes transactions involving the drawing (receipt) or repayment (payment) of loans by Cambodian residents from/to nonresidents, where the maturity period for the loans is one year or more. The holders of these liabilities are monetary authorities, general government, banks, and other sectors.

65. *Loans (short-term): extended by or repaid to nonresidents (860)* – includes transactions involving the drawing (receipt) or repayment (payment) of loans by Cambodian residents from/to non-residents, where the maturity period for the loans is less than one year. The holders of these liabilities are monetary authorities, general government, banks, and other sectors. Trade credits should also be included in these transactions.

66. *Deposits with Cambodian banks: deposit or withdrawal (870)* – includes transactions involving deposits (receipts) or withdrawals (payments) of currency and deposits with Cambodian banks by nonresidents.

67. *Options, futures, warrants, swaps etc. (880)* – includes transactions involving financial derivatives such as options, futures, warrants, swaps etc. There are no known transactions in financial derivatives between Cambodians and nonresidents now or expected in the near future. Therefore, these transactions are not likely to be collected through the ITRS.

68. *Other liabilities (890)* – includes transactions comprising other liabilities of Cambodian residents to nonresidents other than shares and other equity, loans, currency and deposits and financial derivatives. Miscellaneous prepayments received are to be classified under this category.

69. *Other, purpose not specified (899)* - is a residual category for transactions relating to liabilities to nonresidents whose purposes are not specified. Care should be exercised to include as few of the transactions as possible in this category.

Transactions that could not be classified

70. *Please provide the NBC with a copy of the Form 1R or 1P (999)* – is a residual category for ITRS transactions whose purposes could not be classified by the bank staff under any of the categories above. The bank should provide a hard copy of the relevant Form 1R or 1P to the NBC when it provides its monthly summary report.

Appendix I. Frequently Asked Questions

1. Are suficient regulatory arrangem ents for functioning of the ITRS in place?

Response: The information reported by the banks and the NBC, on their own account transactions or on behalf of their clients, would be collected under the authority of the *Law on the Organization and Conduct of the National Bank of Cambodia* and the *Statistics Law of Cambodia.* The Statistics Law provides for the compulsory provision of individual information to institutions and ministries of the Royal Government of Cambodia, for statistical purposes under Article 24. The article states that "ministries and government institutions may conduct statistical activities to obtain statistical information from respondents". Furthermore, the Law states under Article 29 that the "respondents must provide accurate, complete, timely and truthful information to a designated statistical officer of the National Institute of Statistics of the Ministry of Planning or any other ministry or institution of the Royal Government. Where accurate and complete information is not available within the time required, respondents must provide approximate information. Articles 30 and 31 state that, "Penalties shall apply to any respondent who knowingly violates Article 29" and "any individual who deliberately and without legal justification prevents or prohibits statistical activities conducted by the National Institute of Statistics, Ministries, or other government institutions under the provisions of this Law, will be subject to penalties as determined under the judicial code".

The National Bank of Cambodia (NBC) has the authority to collect the ITRS data under article 39.1 of the *Law on the Organization and Conduct of the National Bank of Cambodia.* This article states that "a bank or financial institution must furnish to the Central Bank such information and data as the Central Bank may require for the discharge of its functions and responsibilities". Further in Title II of the Law, which describes the general functions, and duties of the NBC, the establishment of the balance of payments is listed in article 7.8 as one of the functions and duties. Also, article 33.4 states that " the Central Bank shall be empowered to take remedial actions or sanctions according to the existing laws if there has been an infraction by a bank or financial institution of its officers or employees with respect to the violation of a provision of the existing laws or regulations of the Central Bank".

2. Have the response burden of the banks and cost for balance of payments compilers been carefully considered?

The concerns raised are that notwithstanding the relatively small number of international transactions in Cambodia, it is important to be mindful of the low level of automation of the Cambodian banking system. An effective ITRS system requires adequate computer resources in both commercial banks and the NBC to ensure efficient processing of data and management of the databases. This issue will become even more crucial in future when further development of the settlement system in Cambodia might jeopardize the proper functioning of the ITRS.

Response: Any new system of data collection imposes demands on human and material resources of both data compilers and data providers. The ITRS has been designed currently to minimize such demands. The human and material resources demand will obviously not be distributed evenly among the commercial banks. The larger banks and those that conduct most of the transactions with nonresidents will have a greater share of the burden.

It is hoped that such banks can cope with the ITRS using their current computer and human resources. If not, it is hoped that they will have the financial capability to enhance their resources.

The data collected by the NBC will be provided back to the banks in aggregated form. These and the data obtained on the ITRS by each individual bank will help them to analyze the international transactions conducted by their clients in relation to the total transactions by the commercial banks. This will help to enhance their business development. Also, reliable balance of payments data produced by the NBC will help the banks to focus their activities in fast growing economic activities such as tourism. Therefore, any investment made in the ITRS by the commercial banks is not just a cost of satisfying regulatory requirements but also an investment in their own business development.

The NBC is aware that its human, computer, and space resources have to be enhanced not only to cope with the ITRS but also to carry out its current system of compilation of balance of payments data. Any shortcomings in the human and material resources available to the commercial banks and the NBC will definitely affect the efficiency of the ITRS data collection and hence its reliability. While some of these resource problems can be anticipated and taken care of, as the ITRS is introduced, other problems will only surface when the system is in operation. Therefore, both the commercial banks and the NBC should be able to cope with such problems, as they become known.

3. Will individual pieces of information provided by the banks and its customers kept strictly confidential?

Response: Yes, the *Statistics Law* provides for the confidentiality of all individual information collected under this Law. Individual data remain confidential to the NBC and the data are only to be released in the form of aggregated statistics. Article 25 of the Law specifically guarantees "the confidentiality of all individual information obtained from respondents" and that "the information collected under this Law is used only for statistical purposes". Further more, Article 30 specifies that "Government employees and designated statistical officers of the National Institute of Statistics and statistical units in ministries or institutions of the Royal Government who violate Article 25 …. will be subject to penalties as determined under the judicial code".

The data will be published only in an aggregated form so that no individual data will be disclosed, even residually. Rules on aggregation to observe strict confidentiality will be followed by the NBC. No data for a particular dataset will be published unless there are three responses. If any one of these responses accounts for a substantial proportion, then the particular dataset will be combined with another related dataset to avoid any residual disclosure. In deciding what is a substantial proportion, the procedures followed in countries such as Australia and Canada will be followed. For instance, in Australia, the rule of 85/90 is applied. According to this rule, if there are three responses and one of these accounts for 85 percent of the total, then that dataset will be suppressed or combined with another related dataset. Similarly, if two of the responses account for 90 percent of the total, then again that dataset will not be separately identified. Similar rules with some variations are followed in other countries with developed statistical systems such as Canada, the United States, United Kingdom, Netherlands, Sweden, New Zealand, and Germany etc to protect confidentiality.

4. Purpose of transaction is meaningless as there may be thousands of reasons for transactions.

Response: For purposes of reporting, 70 transactions have been identified and codes assigned to them. The same codes have been assigned for both receipts and payments. If they are receipts, they will be reported on forms 1 R, 2R, and 3R. If they are payments, they will be reported on forms 1P, 2P, and 3P. In addition, a brief description is requested for purpose of large transactions on these forms. The explanation provided will relate to the transaction code. The reason for requesting a brief description of large transactions is that even in the best designed ITRS, coding errors are made. Sometimes exports are coded to imports and vice versa. In financial transactions, asset related transactions might be confused for liabilities related transactions. That is why a brief description of the purpose of large transactions is requested to clarify the nature of transactions.

5. The bank staff will take a long time to remember the complicated procedures to enter the information on the questionnaires.

Response: A two days training was held on November 26 and 27, 2002 for NBC and commercial banks' staff to familiarize them with the forms and how to enter the data. Examples of the most common transactions were discussed and practical class exercises will be conducted during the training session. A broad explanation of international balance of payments transactions was also provided. Further follow up training in groups as well as on the premises of individual banks will be provided on request. The bank staff has also been provided with a NBC contact person's name and phone number. As the bank staff becomes familiar with the forms and how to report the transactions, the procedures will cease to be complicated.

6. Customers do not like to provide some of the non-statistical information requested on Forms 1R and 1P such as Resident Name, Other Party Name and Purpose of Transaction.

Response: All statistical inquiries request such information since the data reported have to be related to the statistical population reporting such data. This information helps to classify the transactions and to ensure that the data provided is nearly as complete as possible. Also, such information is necessary to validate the data reported. However, in the case of Forms 1R and 1P, the information requested is only for the large transactions. Such information will be provided to the NBC when clarification is required for some of the transactions. It is not intended that the NBC will have a *carte blanche* access to all the Forms 1R and 1P.

7. Who is a resident/nonresident?

Response: The concept of residency used in the balance of payments statistics is not based on nationality or legal criteria. It is based on a sectoral transactor's *center of economic interest.* Thus, a parent company, branch or subsidiary of a Cambodian company located abroad is a nonresident. A subsidiary or a branch of a foreign bank located in Cambodia is a Cambodian resident. A Cambodian working in Thailand for less than one year is a Cambodian resident. If he works in Thailand for more than one year, he is a resident of Thailand (usually). A contract worker (more than one year) from Philippines working in a Cambodia casino is a Cambodian resident. Embassy officials and members of their families are always considered as residents of their own countries rather than that of the countries where they work. The embassy premises are considered as the territory of the countries represented by the embassies.

8. The scope of the ITRS requires further clarification.

Response: Under Cambodian banking regulations, both residents and nonresidents can have foreign currency accounts with resident banks. In most instances, large international transactions are managed through these accounts. These transactions need to be captured for the purpose of the ITRS. These accounts may also be used to carry out transactions denominated in foreign currency between residents since Cambodia is substantially dollarized. It is our understanding that transactions in big-ticket items such as real estate, automobiles, electronic goods and consumer durables are carried out in foreign currency. Although, in principle such transactions should be captured for the purpose of classification of foreign currency holdings among different sectors (e.g. banks, individuals etc), the scope of the ITRS as outlined above does not intend to do so.

We also realize that to obtain the full scope of transactions between residents and nonresidents, we need to know the transactions settled outside of the Cambodian banking system. Such transactions include cash transactions as well as transactions through foreign accounts of individuals and domestic enterprises with banks abroad and intercompany accounts. The NBC intends to do so through surveys of direct investment enterprises, data provided by the Bank of International Settlements and through estimation techniques.

Appendix II. Practical Exercises

Show how the following transactions will be reflected in the ITRS Forms.

Exercise 1.

A freighter based in Singapore bought fuel and ship supplies in the amount of US$11,000 from the Port Authority of Sihanoukville on September 29, 2002. A check drawn on a Singapore bank was given as payment for these supplies. The check was deposited in a Cambodian bank on October 2, 2002.

Solution

This transaction would be reported on Forms 1P and 3P. Most of the information collected by the forms are the same. Two additional pieces of information are available from Forms 1 P which are the names of the resident Cambodian transactor, and that of the nonresident counterpart. This additional information would be used by the NBC in the event that further investigation is necessary to obtain clarifications on the transactions. Therefore, the following solutions will be discussed with reference to the reporting on Forms 3P and 3R (in the case of receipts) only.

In the case of the example given in Exercise 1, the transactor code would be 5 since the Port Authority of Sihanoukville is a State Owned Enterprise.

The transaction code would be 150 since fuel and ship supplies are considered as goods and are classified to the sub-category bunkers and stores.

The country of nonresident counter-party is Singapore (code 702).

The other party is probably an enterprise (code 8-other nonresident) since a freighter is most likely to be owned by an enterprise.

The currency of transaction is US$ (code 51).

The amount in original currency would be reported as 11,000.00.

To report the amount in Riel (millions), the amount in original currency (US$ 11,000) should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 2

The Port Authority of Sihanoukville rented a container loading and unloading equipment with crew from a Singapore company from January 1, 2002. The monthly rental for this equipment is US$20,000. It pays by check drawn on an account with a Cambodian bank.

Solution

The transactor code would be 5 since the Port Authority of Sihanoukville is a State

Owned Enterprise.

The transaction code would be 230 since rental of transportation equipment with crew is coded to other transportation services rather than as leasing services in the services account in *BPM5.*

The country of nonresident counter-party is Singapore (code 702).

The other party is probably an enterprise (code 8-other nonresident) since such equipment is most likely to be owned by an enterprise.

The currency of transaction is US$ (code 51).

The amount in original currency would be reported as 20,000.00.

To report the amount in Riel (millions), the amount in original currency (US$ 11,000) should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 3.

Sokhann Import Enterprises of Cambodia negotiated with Singapore Electronics Company to import five containers of various electronic products at a cost of US$5 million. The Singapore company also arranged the shipping and insurance for the imports at a cost of US$1 million to Sokhann Import Enterprises. As part of the contract, Sokhann Enterprises made a pre-payment to the exporter on March 17, 2002 of US$2 million. As agreed in the contract, the balance of US$4 million was paid when the goods were delivered at Sihanoukville port on April 21, 2002. The pre-payment and the final payments for the imports were transacted through a Cambodian bank.

Solution

The transactor code would be 6 (Other Enterprise) since Sokhann Import Enterprise of Cambodia is a private enterprise.

There are several different balance of payments transactions, all of which should be identified with different codes.

The first transaction was the pre-payment of US$2 million made by Sokhann Import Enterprises of Cambodia to Singapore Electronics Company on March 17, 2002. This should be assigned the transaction code 111 (pre-payment made for goods).

The second payment of US$4 million made on April 21, 2002 consisted of three different transactions. The first was the balance owing on the value of imports of US$3 million. This should be assigned the transaction code 110, payments for goods. The balance of US$1 million was for insurance and transportation of goods from Singapore to Sihanoukville. The ITRS compiler would obtain additional information from the client/respondent on the allocation of the expenses between transportation and insurance. On the basis of such information the cost of transportation (e.g.US$800,000) would be shown to freight (sea transport) and assigned the transaction code 211 and the cost of insurance (e.g. US$200,000)

shown to insurance and assigned the transaction code 331.

The country of nonresident counter-party is Singapore (code 702). The other party is an enterprise (code 8-other nonresident). The currency of transaction is US$ (code 51).

The amounts in original currency would be reported as 2,000, 000.00, 3,000,000.00, 800,000.00, and 200,000.00.

To report the amount in Riel (millions), the amounts in original currency should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 4.

Two nonresidents walked into a commercial bank in Phnom Penh on Friday 22 November 2002 to cash travelers' checks (TCs). One was well dressed, carried an expensive briefcase and very impatient. He cashed US$10,000 worth of TCs. The other person was very casual, carried a backpack and cashed TCs worth US$50. November is the month designated in the ITRS schedule for that particular commercial bank to report in detail all transactions with nonresidents.

Solution

The transactor code would be 2 (Deposit Money Bank).

There are two different balance of payments transactions, both of which should be identified with different codes.

The first transaction, the encashment of a TC for US$10,000, appears to have been made by a business traveler. This should be assigned the transaction code 241. The second transaction, the encashment of a TC for US$50, appears to have been made by a personal traveler. This should be assigned the transaction code 242.

The countries of nonresident counter-parties could be ascertained from the clients' passports by the ITRS compilers since passports have to be shown when TCs are encashed.

The other parties' codes would be 7 (Individual Nonresident).

The currency of transaction is US$ (code 51).

The amounts in original currency would be reported as 10,000.00, and 50.00.

To report the amount in Riel (millions), the amounts in original currency should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 5.

Mr. Pel Sararh, a Cambodian resident received a scholarship from the University of Pennsylvania to study in the United States for 5 years. The value of scholarship was US$100,000, which was paid to him in the United States in five equal installments each year starting from January 1, 1998. Since this amount was not sufficient for Mr. Sarath to live in the United States, his wife sent him additional money of US$10,000 once every year on October 1 through a Cambodian bank.

Solution

The transactor code would be 7 (Individual Resident).

The transaction code would be 243 (Travel- studies abroad).

The country of nonresident counter-party is the United States (code 840).

The other party code would be 9 (Resident Entity or Individual).

The currency of transaction is US$ (code 51).

The amounts in original currency would be reported every year on October 1 as 10,000.00

To report the amount in Riel (millions), the amounts in original currency should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 6.

On September 29, 2002, a Thai company sent some garments on consignment to a factory in the newly established Industrial Estate in Koh Kong for affixing labels. It was a simple processing process as no substantial transformation of product took place. The garments were returned after processing on October 2, 2002. The Thai company paid US$20,000 by check drawn on a Thai bank to the Koh Kong company for processing. The Koh Kong company deposited the check to its own account in a Cambodian bank on October 5, 2002.

Solution

The transactor code would be 6 (Other Enterprise).

The transaction code would be 120 (Processing fees for goods).
The country of nonresident counter-party is Thailand (code 764).

The other party code would be either 6 or 8. If the other party is the parent company or nonresident head office of the Cambodian company, code 6 should be assigned. If it is an unrelated party, code 8 should be assigned.

The currency of transaction is US$ (code 51).

The amounts in original currency would be reported as 20,000.00.

To report the amount in Riel (millions), the amounts in original currency should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

Exercise 7.

Golden Eagle Garments Company of Cambodia imports US$2 million of fabrics from its parent company in Taiwan on June 3, 2002. No payments were made at the time of imports. On August 3, 2002, the Cambodian company exported the finished garments to the United States. The export order was arranged by the parent company, which also received the export proceeds of US$4 million from the importer on September 15, 2002. The profit on this manufacturing operation was US$1 million. The Cambodian company is 100 percent owned by the Taiwanese company. After retaining the amount owed by the Cambodian company for the cost of fabrics and its share of profits, the Taiwanese company returned the balance of the export proceeds to the Cambodian company. These proceeds were deposited to the Cambodian company's bank account in Phnom Penh.

Solution

The transactor code would be 6 (Other Enterprise).

The transaction code would be 860 (Short-term loans extended by nonresidents)

The only transaction that would go through the Cambodian banking system is the amount of US$1 million, which is a recycling of working capital provided by the parent company to its subsidiary in Cambodia. Such recycling is usually a short-term financial transaction.

This transaction is a clear example of the nature of transactions between a direct investment enterprise and a direct investor. Since most of these inter-company transactions may not go through the Cambodian banking system, the balance of payments compilers have to obtain data from other sources such as surveys and administrative data.

The country of nonresident counter-party is Taiwan (code 158).

The other party code would be 6 (parent company of the Cambodian company). The currency of transaction is US$ (code 51).

The amounts in original currency would be reported as1,000.000.00.

To report the amount in Riel (millions), the amounts in original currency should be converted at the market exchange rate prevailing at the time the transaction takes place. This rate is defined as the midpoint between buying and selling rates applicable to the transaction or, alternatively, as the average rate for the shortest period applicable.

N° B-7-06-211 Prokor

PRAKAS

ON

REPORTING DATE FOR COMMERCIAL BANKS AND SPECIALIZED BANKS

****

Article 1

Commercial and Specialized banks shall submit all periodic reports to the National Bank of Cambodia in line with the date as set in the following:

- Daily report shall be submitted every morning of the next working day;
- Weekly report shall be submitted every Tuesday of the following week;
- Monthly report shall be submitted no later than on the 10th of the following month;
- Quarterly report shall be submitted no later than on the 15th of the first month of the following quarter;
- Annual report (audited financial statement) shall be submitted no later than on 31 March of the following year;
- Report on reserve requirement shall be submitted following the annual schedule set by of National Bank of Cambodia;
- Publication of annual audited of financial statements shall be submitted no later than on the 30th June of the following year.

Article 2

Commercial and Specialized banks shall reply to the letters on the date specified by the NBC.

Article 3

Commercial and applicable banks are allowed to submit reports on the next working day in the case that the date mentioned in Article 1 and Article 2 falls on a weekend or public holiday.

Article 4

Commercial and Specialized banks which do not comply with Articles 1 and 2 above shall be subject to the following fines:

a. For report:

No. of days late	Amount
– From 1 to 5 days	1,000,000 Riels per day
– From 6 to 10 days	7,500,000 Riels per day
– From 11 to 15 days	15,000,000 Riels per day

– From more than 16 days, Commercial and Specialized banks will be subject to a written warning and public announcement.

b. For replies letters and other information:

No. of days late	Amount
- From 1 to 5 days	500,000 Riels per day
- From 6 to 10 days	1,000,000 Riels per day

- From more than 11 days, Commercial and Specialized banks will be subject to a written warning and public announcement.

Article 5

The Regulation No.B-7-95-02 BBG on the late submission of the Commercial banks' reports created on 30 March 1995, and the Circular No.B-7-95-02 SRNN on the due date of submission of commercial banks' reports to the National Bank of Cambodia created on 31 March 1995, is hereby repealed.

Article 6

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall have effect from the signing date.

Phnom Penh, 13 September 2006

The Governor

Signed and sealed: **Chea Chanto**

N° B-5-01-201 Prokor

PRAKAS

ON

DETERMINATION OF REFINANCING BASE INTEREST RATE

****

Article 1:

The determination of base interest rate of O.5 0%/month or 6%/year for KHR refinancing to commercial bank is to permit the banks to widely operate in their interest rate determination.

Article 2:

All provisions contrary to those of this Prakas are hereby repealed.

Article 3:

The General Direction, the General Secretariat, the General Inspection, the General Cashier, all departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory shall strictly implement this Prakas.

Article 4:

This Prakas shall have effect from 01 January 2002.

Phnom Penh, 25 December 2001

The Governor

Singing and Seal: **CheaChanto**

Nº B7-03-002 CL

CIRCULAR
ON
THE COMMUNICATION AND COPIES OF DOCUMENTS
DURING ON-SITE INSPECTION

****

With reference to the Law NS/RKM/0196/27, dated January 26, 1996 and in particular articles 7, 16, 30, 39 and 69,

- With reference to the Law NS/RKM/1 199/13 of November 18, 1999 and in particular articles 40 and 47,
- Banks are compelled to furnish to the National Bank of Cambodia's examiners all information and data requested during an on-site inspection.

- The obligation of professional secrecy may not be used as a ground for nondisclosure vis-à-vis the examiners. Moreover these ones, as all the National Bank of Cambodia staff, must observe an obligation of professional secrecy and cannot provide to any person any confidential information got from a commercial bank.

- As a consequence, commercial banks cannot deny giving any document or information requested by an examiner.

- In particular, all accounting information, all loans files and all information to make an accurate assessment of the risks, of the financial situation and of the profitability of the supervised bank must be communicated to examiners. Obviously this list is not exhaustive.

- In order to keep a record of information provided by the supervised bank, examiners can request a copy of any document or information. They are allowed to demand a paper photocopy or a computer file copy.

- All expenses involved by making these copies are supported by the supervised bank.

- Any obstruction for giving any information or copy of a document will be punished according penalties provided by article 69 of the Law on Organization and Conduct of the National Bank of Cambodia.

- This Circular is effective as of the date of signing.

Phnom Penh, 15 July 2003

DIRECTOR GENERAL

Signed and Sealed: **Tal Nay Im**

Nº B-7-04-037 Prokor

PRAKAS

ON

PREPAID PREPAYMENTS ON RENTAL AND LEASES

****

Article 1

Banks are only allowed to make prepayments on rental or lease on properties, if some criteria are obeyed.

Article 2

Leased properties must be directly related to bank activities. Banks are not allowed to be a lessee if the property is not necessary to the bank activity.

Article 3

According to the principle of substance over the form, prepaid rental or lease cannot be used to withdraw money from the banks, and in particular to withdraw equity brought by the shareholders.

Article 4

Prepaid rental or lease cannot exceed one year of rental or lease.

Article 5

If a commercial bank must make a security deposit or credit the property's owner with any amount, it is the total of all the paid amounts recorded in the balance sheet that cannot exceed one year.

Article 6

All the paid amounts exceeding one year will have to be deducted from the bank's net worth.

Article 7

In the case the prepaid rental or lease is below one year, but a t a cost higher than the market price, the difference between the prepaid rentals or lease with the market price will have to be deducted from the bank's net worth.

Article 8

Rental or lease with related parties will be submitted to the regulation on loans to related parties. Outstanding of leases with related parties and prepaid rental or lease will have to be included in the quarterly declaration of loans with related parties.

Article 9

Commercial banks with prepaid rental or lease over one year will have to be compliant within six months. At this deadline, prepaid rental or lease over one year will have to be deducted from the bank's net worth.

Article 10

Notwithstanding articles 6 and 8, banks that are not compliant with this regulation could be penalized according to article 52 of the Law on Banking and Financial Institutions.

Article 11

The General Direction, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under of the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 12

This Prakas shall have effect from the signing date.

Phnom Penh, 09 March 2004

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-04-006 Prokor

PRAKAS

ON

PAYMENTS OF DIVIDENDS IN ADVANCE

****

Article 1

Banking and financial institutions are only allowed to pay dividends if the annual profit is absolutely certain.

Article 2

Annual profit is absolutely certain, once annual accounts have been approved by external auditors. Banks cannot pay dividends before this approval.

Article 3

If dividends are paid in advance, National Bank of Cambodia can compel the shareholders to immediately repay the dividends paid in advance, plus an interest calculated as for an overdraft to individuals.

Article 4

Notwithstanding article 3, any failure to abide by the present regulation will be sanctioned according to article 52 of the Law on the Banking and Financial Institutions.

Article 5

The General Direction, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under of the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall have effect from the signing date.

Phnom Penh, 14 January 2004

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-09-013 Prokor

PRAKAS
ON
OVERDRAFT FACILITIES MADE AVAILABLE BY THE NBC TO BANK AND FINANCIAL INSTITUTIONS FACING TEMPORARY LIQUIDITY SHORTAGES

****

CHAPTER 1
GENERAL PROVISIONS

Article 1

NBC shall consider granting overdraft facilities for banking and financial institutions hereafter called "Institutions" to overcome temporary liquidity shortage under criteria and conditions sets forth in this Prakas.

Article 2

Maintaining the institution in a permanently sound liquid and solvent condition is the institution's management prime responsibility.

Liquidity is the institution's ability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Institutions might default if they are not able to meet their obligations as they come due and liquidity management relies on assumptions that might not prove stable or reliable over time. Therefore, institutions shall establish prudent policies and assumptions, set forth a reasonable appetite for liquidity risk and consider possible adverse market conditions that might impact their liquidity condition.

Furthermore, institutions shall foresee plausible stress scenarios and establish contingency funding plans aimed at coping with such adverse situations and preventing from any payment default situation. Such a default situation might also be devastating for the institution's reputation.

Finally, institutions shall take appropriate measures to comply with other requirements such as reserve holdings at the NBC.

Article 3

All these liquidity management principles and risk appetite should result in the holding of a commensurate liquidity buffer and in the establishment of responsive policies and procedures aimed at taking timely and appropriate actions, such as the reduction of loan extensions or utilization of alternative funding sources, which shall help to bridge the gaps.

However, due to unforeseen or unprecedented adverse trends or market conditions, such prudent policies, procedures, liquidity buffers and forward-looking liquidity risk management might prove insufficient to face severely adverse liquidity constraints.

Article 4

Considering this risk for otherwise fully solvent institutions, the NBC shall, in this context, consider granting overdraft facilities aimed at helping such institutions overcome temporary liquidity shortages.

CHAPTER 2

ELIGIBLE BANKS AND FINANCIAL INSTITUTIONS

Article 5

Overdraft facilities are designed to manage exceptional circumstances and to help eligible institutions to overcome temporary or short-term liquidity shortages as mentioned in Article 4.

Institutions shall not consider such overdraft facilities as systematically granted and shall not, as a general rule, fully rely on such facilities to excuse less prudent policies and procedures for regular liquidity management purposes. In addition, such facilities are not designed for insolvent or otherwise compromised financial conditions which shall be addressed by other appropriate supervisory actions commensurate to the gravity of problems faced.

Article 6

Institutions applying for an overdraft facility shall be profitable, solvent and fully compliant with the minimum capital requirements and solvency ratio.

However, should the assessment performed by the NBC lead to judgment that the institution is actually facing more severe problems than temporary liquidity shortages, the NBC shall consider any appropriate resolution plan.

CHAPTER 3

APPLICATION FOR AN OVERDRAFT FACILITY, TERMS AND CONDITIONS

Article 7

Institutions shall apply for an overdraft facility from the NBC as soon as a potential temporary liquidity shortage is identified due to unforeseen adverse trends or market conditions. The institutions shall consider compliance with minimum reserve requirements when forecasting such liquidity shortages; therefore, they shall not assume that drawing on compulsory reserve requirements constitutes a reasonable way of overcoming such shortages.

Article 8

When applying for an overdraft facility at the NBC, institutions shall provide the Central Bank, in writing, with the following discussions and data:

- Liquidity forecasts and estimates of the date where liquidity shortages will arise
- Assumptions made use of for the establishment of the transmitted liquidity forecasts, including stress test scenario(s) where applicable

- Discussion of adverse trends and / or market conditions that lead to foreseeable liquidity shortages
- The action plan considered to address in a durable manner the liquidity shortages to be temporarily covered by the overdraft facility applied for
- Prudent estimates related to the time necessary to implement the action plan and to reimburse the overdraft facility
- Foreseeable impacts and consequences of the implementation of the envisioned action plan on profitability (cost of funds, alternative sources of funding, liquidation of assets ...) and on solvency, and
- Assessment on the institution's overall condition aimed at supporting the NBC's decision and at ensuring that the institution remains fully solvent and profitable.

Article 9

The application file shall be established based on accurate data. Should reported data and facts prove to be inaccurate or incomplete in order to knowingly and positively influence the NBC's final decision, the NBC shall consider taking sanctions against the institution. Such sanction(s) shall be considered within the entire range of sanctions foreseen by the Banking Law in its Article 52.

The application file shall also provide a list of collateral proposed to the NBC in order to secure the overdraft facility.

Article 10

The NBC shall notify its decision to the applying institution within two (2) working days, starting from the reception of the complete application file as mentioned under Article 8 in this Prakas.

However, the NBC's decision might carry provisions; such provisions and conditions might be related to further investigations aimed at refining its assessment of the institution's overall condition, due diligence to be carried out on-site, determination of haircut and eligibility of collateral proposed as a pledge and other tasks deemed necessary to make an informed decision.

Article 11

The overdraft facilities shall be granted either in US Dollars or in Riels, depending on the liquidity shortfalls forecasted by applying institutions.

The amount requested for the overdraft facility shall be considered in light of the reserve requirements the institutions shall comply with. Requests shall not exceed 50 % of the reserve requirement.

The confirmation fee and interest rate on this overdraft facility are the rate which is not encouraged and shall be determined separately from actual by the confirmation of NBC.

Article 12

Overdraft facilities shall be considered initially for a short period of time ranging from one week to one month and are aimed at helping institutions to overcome short-term liquidity shortages.

The NBC might consider extending an overdraft facility for a new period of time that shall not exceed one month and that shall not be rolled over more than two times. Provided that the institution is still solvent and in a viable condition, it is the implementation of the proposed and appropriate action plan, and if deemed insufficient, supplemented by any adequate corrective actions that shall be considered by the NBC, that shall ultimately lead to solve the liquidity problems in a durable manner.

Should the implementation of the proposed action plan not result in a durable improvement of the institution's liquidity condition after an extension period of the overdraft facility, the NBC shall consider any appropriate supervisory action aimed at dealing with problem institutions and devising appropriate resolution.

CHAPTER 4

ELIGIBLE COLLATERAL AND HAIRCUT

Article 13

Besides collateral foreseen in Article 36 and 37 of the Law on the Organization and Conduct of the National Bank of Cambodia, institutions may propose loans as a collateral pledge aimed at securing their overdraft facilities.

Such loans shall not be adversely classified. Non Performing Loans (Substandard, Doubtful and Loss) are not eligible as collateral to secure an overdraft facility. To be eligible, such loans shall also meet all the criteria and requirements established in applicable regulations issued by the NBC on loan classification.

Institutions shall provide to NBC a detailed list of eligible collateral and loans such as initial amount, debtor, nature of the loan, classification in the institution's books and records, tenor, amortization schedule, transaction number, ultimate maturity and collateral pledged to the institution to secure the loan.

Loans and facilities extended to related parties are not eligible and shall not be proposed by banks to the NBC since they would be rejected and lead the NBC to require additional and alternative loans. The NBC also reserves the right to refuse collateral in case of suspicion of close links with related parties as well as close economic or business relationships. Decision to reject shall be made by the NBC under its sole discretion and shall not be subject to appeal.

The loans and facilities pledged as a collateral to the NBC shall be sufficiently diversified to prevent from any concentration issue (exposures to single borrowers, to groups of borrowers, to economic sectors, etc.). The NBC shall ensure diversification of risk is reasonable and might require the pool of assets pledged to be reconsidered in order to meet this diversification requirement.

Institutions shall not provide to NBC a loan or facility maturing during the overdraft facility period as a part of the collateral pool.

Article 14

Proposed collateral shall be valued at book value as of the closest date to the establishment of the list of proposed collateral submitted to the NBC.

Article 15

The NBC shall apply a haircut of 40 % to the value of total collateral pledged to secure the overdraft facility, which means that if collateral is valued at 100, the overdraft facility could only be granted in the amount of 60.

Should the due diligence carried out by the NBC in order to check eligibility of proposed collateral evidence the presence of actually adversely classified loans or of loans that should be adversely classified in the institution's books, the NBC shall apply an additional haircut aimed at reflecting the corresponding risk taken.

CHAPTER 5

COLLATERAL PLEDGE TO THE NBC

Article 16

Loans and any other eligible assets pledged as collateral to the NBC in order to secure an overdraft facility shall be clearly earmarked in the institution's books and records.

The collateral pledge shall be established in writing and in accordance with legal forms and rules applicable in order to safeguard the NBC's interests and to any possible joint claim from any other collateralized lending counterparty.

The NBC shall be considered a preferred creditor and shall make use of its retention right to obtain full reimbursement of the extended facility, accrued interests, penalties and confirmation fees.

Article 17

NBC has full rights in collateral pledged and shall carry forth judiciary and supervisory actions against any institution that knowingly omits to disclosure of such restrictions or of preexisting pledges that could hamper the NBC's rights on such collateral.

In order to secure its position as a preferred creditor, NBC shall require institutions to provide original deeds including contracts, loan deeds, other evidentiary documents, and that the titles and collateral pledges securing those loans be handed over in original.

Any event foreseen in Article 21, a) and b), shall lead the institution to agree with the NBC upon a new eligible substitution of collateral and to deliver the corresponding deeds in accordance with paragraph 2. The NBC shall consider releasing original documents related to loans and facilities that are no longer part of the collateral pool.

Article 18

Institutions shall disclose such collateral pledges in their financial statements in the form of a footnote summarizing the amount and principal characteristics of assets pledged to the NBC if such an overdraft facility is in force at the date at which the statements are established.

CHAPTER 6

COLLATERAL QUALITY REVIEW

Article 19

The NBC shall conduct by any appropriate and convenient means a review of the proposed collateral prior to making its final decision on the terms and conditions of the requested overdraft facilities. These reviews shall take the form of an on-site collateral review aimed at verifying notably the following:

- Effective possession of the proposed collateral items
- Characteristics of such collateral, including the existence and the effective validity of guarantees, titles and other credit risk mitigation elements securing the loans proposed as a pledge
- Absence of adverse classification in the applying institution's books and records as well as performance and delinquency over the past period of time, and
- Conditions under which the loans and assets proposed under the collateral pledge are earmarked and secured to protect the NBC's interests.

Article 20

In the case of collateral items rejected due to non performance issues or concerns, NBC shall lead the institution to immediately consider adversely classifying the corresponding items in its books and records and to provision the risk in accordance with the requirements set forth in the Regulation on Loan Classification.

CHAPTER 7

REPORTING REQUIREMENTS TO THE NBC

Article 21

Institutions are required to establish reporting requirements to NBC after receiving an overdraft facility until the NBC lifts these requirements.

Such reporting requirements shall be considered in light of the adverse circumstances affecting the institution's liquidity condition and of the overall risk profile assessment made by the NBC on the institution's overall condition. The frequency of requested reports shall also be commensurate with the risk assessment.

Such minimal reporting requirements shall lead the beneficiary institutions to report to the NBC:

a) Any decision to adversely classify any asset pledged as collateral during the validity of the overdraft facility and any corresponding proposal to substitute new performing assets to the adversely classified ones
b) Any event including but not limited to delinquency or prepayment observed on the assets pledged as collateral to the NBC
c) Progress status of the implemented action plan and impact on the institution's liquidity condition
d) Any unforeseen difficulty in implementing the action plan and problems faced in restoring the institution's liquidity at a satisfactory level.

Where circumstances so require due to serious liquidity concerns and a progressively deteriorating condition, the NBC shall consider requiring a daily report of the day's inflows and outflows as well as on the liquidity gap forecasts related to the following days.

Article 22

An appropriately close monitoring process shall be considered by the NBC when extending an overdraft facility. This process shall lead to close monitor the bank on-site and aims at following up on both, its liquidity and its solvency condition.

CHAPTER 8

FINAL PROVISIONS

Article 23

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under NBC's supervisory authority shall strictly implement this Prakas.

Article 24

This Prakas shall have effect from the signing date.

Phnom Penh, 20 January 2009

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-01-115 Prokor

PRAKAS

ON

THE CALCULATION OF INTEREST RATE ON MICROFINANCE LOANS

****

Article 1

Rural credit specialized banks, Micro Finance Institutions registered and licensed from the National Bank of Cambodia, Non-governmental organizations (NGOs), associations, under the law on Banking and Financial Institution shall calculate interest rate to comply with the provision of this Prakas with regard to their credit operations.

Article 2

Interest charged on any loan granted by an entity mentioned in Article 1, must be calculated taking into account the repayments of principal already made on that loan. Consequently, interest charged on a loan for a given period (week, month, quarter, year as the case may be) shall be calculated on the loan outstanding balance at the end of that period.

Article 3

Loan agreement between Micro Financial Institutions and customers shall have credit amortization table.

Article 4

Covered entities that contravene to the provisions of this Prakas will be subject to the disciplinary sanctions mentioned in Article 52 of the Law on Banking and Financial Institutions.

Article 5

All provisions contrary to those of the Prakas are hereby repealed.

Article 6

The General Direction, the General Secretariat, the General Inspection, the General Cashier, all Departments of the NBC, and all Banking and Financial Institutions under of the NBC supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall have effect from the signing date.

Phnom Penh, 14 August 2001

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-02-186 Prokor

PRAKAS

ON

LOAN CLASSIFICATION AND PROVISIONING APPLICABLE TO SPECIALIZED BANKS FOR RURAL CREDIT AND LICENSED MICROFINANCE INSTITUTIONS

****

Article 1

Specialized banks for rural credit and licensed microfinance institutions must organize their internal accounting system in such a way that they are able at any time to provide the National Bank of Cambodia with information in accordance with the provisions of this Prakas.

Article 2

Specialized banks for rural credit and licensed microfinance institutions shall classify their loan portfolio into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments:

- ***Standard:*** good financial condition and punctual payment of principal and interest
- ***Sub-standard:*** some payments of principal and /or interest are overdue by 30 days or more
- ***Doubtful:*** some payments of principal and/ or interest are overdue as follows:

  - 60 days or more in the case of a loan with an original term of less than one year.

  - 180 days or more in the case of a loan with an original term of one year or more.

- ***Loss:*** some payments of principal and/or interest are overdue as follows:

  - 90 days or more in the case of a loan with an original term of less than one year.
  - 360 days or more in the case of a loan with an original term of one year or more.

Article 3

Specialized banks for rural credit and licensed microfinance institutions shall take specific provisions on loans classified as follows:

- Substandard: 10% regardless of the collateral value except cash.
- Doubtful: 30% regardless of the collateral value except cash.
- Loss: 100% if the institutions can prove the market value of collateral on the case

by case basis, acceptable to the National Bank of Cambodia, only part of loans uncovered will be provisioned.

The provisions will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provisions shall be recorded in the institution's accounts and charged to the profit and loss account for the month during which the corresponding loan has been classified below *standard.*

Article 4

In accordance with the accrual method of accounting, interest accrued on a loan shall be recorded as income in the profit and loss account for corresponding period. However, in the case of loans classified below *standard,* accrued interest that has not actually been paid will be reversed and credited to a suspense account. Likewise, interest accrued on a loan after it has been classified below *standard* will be credited to the same suspense account.

Article 5

Violations to the provisions of this Prakas may give rise to disciplinary sanctions as set forth in Article 52 of the *law on Banking and Financial Institutions.*

Article 6

All provisions contrary to this Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General inspection, the General Cashier and all departments of the National Bank of Cambodia, all Specialized banks for rural credit and licensed microfinance institutions under of the National Bank of Cambodia supervisory authority shall strictly implement this Prakas.

Article 8

This Prakas shall have effect from the signing date.

Phnom Penh, 13 September 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-02-48 Prokor

PRAKAS

ON

LIQUIDITY RATIO APPLICABLE TO LICENSED

MICROFINANCE INSTITUTIONS

****

Article 1

Licensed Microfinance Institutions shall at all times maintain a liquidity ratio of at least 100%.

Article 2

The liquidity ratio will be calculated as follows:

- *Numerator:* cash on hand, plus deposits with the National Bank of Cambodia. plus deposits with banks, minus the amount owed to the National Bank of Cambodia and banks (net liquidity), plus the portion of loans outstanding maturing in less than one month
- *Denominator:* 25% of voluntary savings, excluding compulsory savings.

Article 3

Licensed Microfinance Institutions shall file monthly calculations of their liquidity ratio in accordance with the reporting format prepared by the National Bank of Cambodia.

Article 4

Violations to the provisions of this Prakas may give rise to disciplinary sanctions as set forth in Article 52 of the *law on Banking and Financial Institutions.*

Article 5

All provisions contrary to this Prakas are hereby repealed.

Article 6

The General Direction, the General Secretariat, the General inspection, the General Cashier and all departments of the NBC, and all Micro Financial Institutions under of the NBC supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall have effect from the signing date.

Phnom Penh, 25 February 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-02-45 Prokor

PRAKAS
ON
THE MAINTENANCE OF RESERVE REQUIREMENT FOR MICROFINANCE INSTITUTIONS

****

Article 1

Licensed Microfinance Institutions shall deposit 5 per cent of their deposits into an account maintained with the NBC.

Article 2

The reserve requirement on deposit will be calculated on the basis of deposits outstanding at the end of each month, as reported in the institution's balance sheet and in the prescribed reporting on the breakdown of deposits mobilized by the institution. For the purpose of calculating the reserve requirement, compulsory savings, which are saving required as condition to participate in a credit scheme, shall be excluded.

Article 3

The reserve requirement as calculated under Article 2 shall be maintained as deposit in the institution's account with the NBC from the 15th day of the month following the end of the month reported, until the 14th day of the next month. At that time a new reserve requirement will be calculated and will become applicable.

Article 4

Licensed Microfinance Institutions shall promptly remedy any reserve deficiency as soon as they are notified of such deficiency by the NBC.

Article 5

Violations to the provisions of this Prakas may give rise to disciplinary sanctions as set forth in Article 52 of the law on Banking and Financial Institutions.

Article 6

All provisions contrary to this Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General inspection, the General Cashier and all departments of the NBC, and all Micro Financial Institutions under of the NBC supervisory authority shall strictly implement this Prakas.

Article 8

This Prakas shall have effect from the signing date.

Phnom Penh, 25 February 2002

The Governor

Signed and sealed: **Chea Chanto**

NATIONAL BANK OF CAMBODIA
BREAK-DOWN OF DEPOSITS
(in millions of Riels)

INSTITUTION'S NAME: ----------

REPORT AS AT (DATE): ----------

CATEGORY	INTEREST RATE PAID/FREQUENC	LESS THAN 250,000 Riels		250,000 to 1,000,000 Riels		More than 1,000,000 Riels		Total	
1-VOLUNTARY		Number of account	Amount	Number of account	Amount	Number of account	Amount	Number of account	Amount
1.1 DEMAND									
1.2 SAVING									
1.3 TERM;									
1.4 OTHER									
1.5 TOTAL RESERVABLE DEPOSITS									
2- COMPULSORY									
2.1- Progam 1									
2.2- Program 2									
2.3- Program 3									
2.4 - TOTAL COMPULSORY SAVINGS									
3.- TOTAL SAVINGS MOBILIZED :									

TOTAL RESERVABLE DEPOSITS : ---------- 5% RESERVE REQUIREMENT :

Signature : ---------- Date :

Nº B-7-07-133 Prokor

PRAKAS

ON

MICROFINANCE INSTITUTIONS'SOLVENCY RATIO

****

Article 1

Microfinance Institutions, hereafter referred to as "institutions", shall at all times observe a solvency ratio in accordance with the provisions of this Prakas. This solvency ratio of their net worth to their aggregate asset risk exposure shall not be less than 15 percent.

Article 2

The numerator of the ratio shall be the net worth calculated in accordance with the provisions of the Prakas on the calculation of microfinance institutions' net worth.

Article 3

3.1- The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

3.2- The following weightings shall apply to assets:

3.2.1- zero weighting:

- cash,

- gold,

- claims on the National Bank of Cambodia,

- assets collateralized by deposits lodged with the bank,

- claims on or guaranteed by sovereigns rated AAA to AA- or equivalent rated under the methodology used by a rating agency acknowledged by the NBC.

3.2.2- 20 percent weighting:

- claims on or guaranteed by sovereigns rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the NBC.

- claims on or guaranteed by banks or corporations rated AAA to AA-or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.3 - 50 percent weighting:

- claims on or guaranteed by sovereigns rated BBB+ to BBB- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.
- claims on or guaranteed by banks or corporations rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.4- 100 percent weighting:

- All other assets.
- All off-balance sheet items.

Article 4

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 5

Article 15 in Prakas No B7-00-06 dated 11 January 2000, on the Licensing of Microfinance Institutions and all provisions contrary to those of this Prakas are hereby repealed.

Article 6

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall take effect from this signing date.

Phnom Penh, 27 August 2007

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-7-07-132 Prokor

PRAKAS

ON

THE CALCULATION OF MICROFINANCE INSTITUTIONS' NET WORTH

****

Article 1

Microfinance Institutions' net worth shall be calculated as follows:

I- Sub-total A : Items to be added

- capital or endowment
- reserve, other than revaluation reserves
- premium related to capital (share premiums)
- provision for general banking risks, with the prior agreement of the NBC
- retained earnings
- audited net profit for the last financial year ([1])
- other items approved by the National Bank of Cambodia ([2])

II- Sub-total B : Items to be deducted

- for shareholders, directors, managers and their next of kin
    - unpaid portion of capital
    - advances, loans, security and the agreement of the persons concerned as defined above
- holding of own shares at their book value
- accumulated losses
- formation expenses
- losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)

III- Total C : BASE NET WORTH = A - B

IV- Sub-total D : Items to be added

- revaluation reserves, with the prior agreement of the National Bank of Cambodia.

[1] After deduction of dividend to be distributed.

[2] For example, profit as recorded on dates other than the end of the annual accounting period. Provided that:
- They are determined after posting to the accounts all the charges relating to the period and allowances to the depreciation, provision and value adjustment account;
- They are calculated net of foreseeable taxes and dividend and have been verified by the auditors.

- subordinated debt, with the prior agreement of the National Bank of Cambodia, up to 100% of base net worth

- other items, with the prior agreement of the National Bank of Cambodia, could be included in the calculation of net worth and shall not be more than base net worth ([3])

V- Sub-total E : Items to be deducted

- equity participation in banking and financial institutions - other items ([4])

VI- Total F: TOTAL NET WORTH = C + D - E

Article 2

The net worth as calculated above shall be taken into account in calculating prudential ratios and other ratios.

Article 3

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 4

All provisions contrary to those of this Prakas are hereby repealed.

Article 5

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall take effect from this signing date.

Phnom Penh, 27 August 2007

The Governor

Signed and Sealed: **Chea Chanto**

[3] The following may in particular appear among these items:
- Fully mutualized guarantee funds;
- Public funds allocated for guaranteeing types of credit operations;
- Nonrepayable public or private subsidies;
- Donated capital

[4] Deferred charge, for example

Nº B-7-02-219 Prokor

PRAKAS

ON

ADOPTION AND IMPLEMENTATION OF CHART OF ACCOUNTS

FOR MICROFINANCE INSTITUTIONS

****

Article 1

To adopt Chart of Accounts and Disclosure Requirements for implementation and compliance by all Micro-finance institutions licensed by the NBC as per annex attached.

Article 2

Implementation of the Chart of Accounts and Disclosure Requirements must be commenced from 1 January 2003.

Article 3

All financial statements and other reports including monetary reports submitted to the NBC for the month of January 2003, and all subsequent periods must be completed based upon the Chart of Accounts and Disclosure Requirements.

Article 4

The NBC reserves the right to add or delete account numbers when it is required.

Article 5

Micro-finance institutions must also implement and comply with Cambodian Accounting Standards as they are issued by the Ministry of Economy and Finance.

In the event the accounting requirements imposed by the NBC are different from Cambodian Accounting Standards, the requirements of the NBC will prevail and take precedence over Cambodian Accounting Standards.

Article 6

All provisions contrary to this Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all departments of the NBC and all Micro-finance Institutions under of the NBC's supervisory authority shall strictly implement this Prakas.

Article 8

This Prakas shall have effect from the signing date.

Phnom Penh, 25 December 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-02-47 Prokor

PRAKAS

ON

REPORTING REQUIREMENT FOR REGISTERED NGOs AND LICENSED MICROFINANCE INSTITUTIONS

****

Article 1

Registered micro-finance operators and licensed micro-finance institutions shall submit regular reports to the NBC with regard to their financial results., their loan portfolio, the deposits they mobilize and their network of branches and offices.

Article 2

Every quarter, registered micro finance operators shall be required to prepare the following reports to be submitted to the NBC within one month of the end of each quarter:

- Statement of assets and liabilities
- Statement of profit and loss
- Breakdown of deposits by category
- Breakdown of deposits by currency
- Loan breakdown by category
- Loan breakdown by currency
- Loan classification and delinquency ratio
- Network of branches and other offices.

Article 3

Every month, Licensed Micro-finance Institutions shall be required to prepare the following reports to be submitted to the NBC within 15 days of the end of each month:

- Statement of assets and liabilities
- Statement of profit and loss
- Off balance sheet
- Breakdown of deposits by category
- Breakdown of deposits by currency
- Loan breakdown by category
- Loan breakdown by currency
- Loan classification, loan loss provisions and delinquency ratio
- List of loan to related parties
- List of large exposures
- Calculation of capital adequacy ratio
- Calculation of liquidity ratio.

Article 4

At the end of each quarter, Licensed Micro-finance Institutions shall be required to submit reports on evolutions of their branches and offices network to the NBC.

Article 5

Every year, Licensed Micro-finance Institutions shall be required to prepare the following reports to be submitted to the National Bank of Cambodia by the 30th of April of the following year:

- Audited financial statements
- Board of Directors' Annual Report
- Statistics of staff and salaries
- Up-dated organization chart with names and titles of incumbents.

Article 6

All the reports shall be prepared according to the format prescribed by the NBC.

Article 7

Violations to the provisions of this Prakas may give rise to disciplinary sanctions as set forth in Article 52 of the *Law on Banking and Financial Institutions.*

Article 8

All provisions contrary to this Prakas are hereby repealed.

Article 9

The General Direction, the General Secretariat, the General Cashier, the General inspection all departments of the NBC, and all Micro Financial Institutions under of the NBC supervisory authority shall strictly implement this Prakas.

Article 10

This Prakas shall have effect from the signing date.

Phnom Penh, February 25, 2002

The Governor

Signed and sealed: **Chea Chanto**

Nº B-7-06-212 Prokor

PRAKAS

ON

REPORTING DATE FOR MICROFINANCE INSTITUTIONS

****

Article 1

The microfinance institutions shall submit all periodic reports to the National Bank of Cambodia in line with the date as set in the following:

- Daily report shall be submitted every morning of the next working day;
- Weekly report shall be submitted every Tuesday of the following week;
- Monthly report shall be submitted no later than on the 15th of the following month;
- Quarterly report shall be submitted no later than on the 15th of the first month of the following quarter;
- Annual report (audited financial statement) shall be submitted no later than on 30 April of the following year;
- Report on reserve requirement shall be submitted following the annual schedule set by the National Bank of Cambodia;
- Publication of annual audited of financial statements shall be submitted no later than on the 30 June of the following year.

Article 2

The microfinance institutions shall reply to the letters on the date specified by the National Bank of Cambodia.

Article 3

A microfinance institution is allowed to submit reports on the next working day in the case that the date mentioned in Article 1 and Article 2 falls on a weekend or public holiday.

Article 4

The microfinance institutions which do not comply with Articles 1 and 2 above shall be subject to the following fines:

a. For report: <u>No. of days late</u> <u>Amount</u>

- From 1 to 5 days 50,000 Riels per day
- From 6 to 10 days 300,000 Riels per day
- From 11 to 15 days 700,000 Riels per day
- From more than 16 days, microfinance institutions will be subject to a written warning and public announcement.

b. For replies letters and other information:

No. of days late	Amount
- From 1 to 5 days	50,000 Riels per day
- From 6 to 10 days	300,000 Riels per day
- From more than 11 days, microfinance institutions will be subject to a written warning and public announcement.	

Article 5

Other previous provisions contrary to this Prakas are hereby repealed.

Article 6

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall have effect from the signing date.

Phnom Penh, 13 September 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B7-02-203 Prokor

PRAKAS
ON
STANDARDIZED PROCEDURE FOR PROMPT CORRECTIVE ACTIONS FOR BANKING AND FINANCIAL INSTITUTIONS

****

As amended by Prakas B 7-05-212 dated November 29, 2005 on Amendment of Prakas Standardized Procedure for Prompt Corrective Action for Banking and Financial Institutions, and by Prakas B7-07-133, dated August 27, 2007 on Microfinance Institution's Solvency Ratio.

Article 1

To issue formal procedure for prompt corrective action (PCA) of the banking and financial institutions licensed by the National Bank of Cambodia, hereafter referred to as financial institutions by pre-establishing practice formalities of financial institutions and to implement oversights with uniformity and fairness.

Article 2

1. "Prompt corrective action" is a prescribed set of disciplinary sanctions and limitations applicable to financial institutions in accordance to the Law on Banking and Financial Institutions.

2. [As amended by Prakas B 7-07-133 dated August 27, 2007 On Microfinance Institution's Solvency Ratio]

"Solvency ratio" refers to the calculation of capital adequacy stipulated in Prakas B7.00-46 relating to the Banks' Solvency ratio and Prakas B7-07-133 on Microfinance Institution's Solvency Ratio.

3. "Capital Restoration Plan" is a formal plan signed by a financial institution's Board of Directors and submitted to the National Bank of Cambodia. Such a plan details the actions, strategies and commitments the Board will undertake to attain capital adequacy as defined by the solvency ratio. Such a plan includes numerical financial goals and stipulates timetables and deadlines for attaining said benchmarks.

4. "Provisional Administrator" is a person appointed by the National Bank of Cambodia following art. 57 of the law on banking and financial institutions (LBFI) to manage direct and represent the financial institution. His duty (art. 59 of LBFI) is to assess the financial situation and administer the current activities in order to preserve as far as possible the covered entity's solvency and maintain the rights of depositors and creditors.

5. "Capital Call Meeting" is a formal meeting called by NBC, where financial institution directors are notified of a material capital deficiency at their financial institution and given a specified time period to provide a specific capital Injection amount.

Article 3 *[as amended by Prakas B 7-05-212 dated November 29, 2005]*

Under the prompt corrective action procedures, the financial institutions will be

categorized based on their solvency ratio, as previously defined in Prakas on Solvency ratio of Banks. A financial institution is classified as:

a. Well-Capitalized when its solvency ratio equals or exceeds 20 per cent.
b. Adequately Capitalized when its solvency ratio equals or exceeds 15 percent, but is less than 20 per cent
c. Undercapitalized when its solvency ratio equals or exceeds 10 per cent, but is less than 15 percent
d. Significantly Undercapitalized when its solvency ratio equals or exceeds 5 per cent., but is less than 10 per cent.
e. Critically Undercapitalized when its solvency ratio is less than 5 per cent.

Article 4

When a financial institution becomes undercapitalized, it must prepare and submit a Capital Restoration Plan (CRP) to the NBC within 30 days after it became undercapitalized. The NBC will notify the financial institution in writing of the CRP's acceptability within 30 days of receipt or any delay and the reason for the delay.

Article 5

An acceptable CRP must indicate the possibility of capital restoration and must include the following:

a. Current balance sheets and budgets, long-term budgets, a strategic plan, market analysis based on realistic assumptions, and any other relevant information.
b. Means to raise capital that must address:

- The steps the financial institution will take to become adequately capitalized.
- The levels of capital to be attained during each quarter of each year of the plan.
- The types and levels of activities in which the financial institution will engage.
- Any other information the NBC may require.

Article 6

In addition to the preparation and submission of the CRP to the NBC, the influential shareholders must submit a written guarantee that the financial institution will comply with the CRP. The guarantee must include the financial commitment of the influential shareholders in the implementation of the CRP. In addition, the guarantee must include the assurances that the owner will:

a. Take actions required by the CRP.
b. Ensure the selection of new competent management.
c. Restrict transactions between the financial institution and the owner.
d. Discontinue any risky or inappropriate activities.

Depending on the company involved, the guarantee may also include a promissory note, a pledge of assets, appropriate assurances from company counsel, a company board of directors' resolution, and other supervisory actions deemed necessary to ensure performance.

Article 7

Undercapitalized financial institutions that fail to submit or implement an acceptable CRP and significantly undercapitalized financial institutions shall face the following sanctions:

a. NBC approval before paying any bonus or increasing compensation to a senior executive officer.
b. Injunction to recapitalize
c. Restrictions on transactions with affiliates.
d. Restrictions on interest rates on deposits.

Other discretionary measures may also be decided, at NBC's sole decision:

a. Restrictions on asset growth or reduction of assets.
b. Restriction on activities.
c. Resignation of one or more executives
d. Injunction to hire new qualified senior executive officers
e. Injunction to stop taking deposits from correspondent financial institutions.
f. Injunction of divesting subsidiaries that may cause a significant risk to the financial institution
g. Appointment of a provisional administrator

Article 8

As soon as a financial institution is known to have become critically undercapitalized, a capital call meeting shall be called. The financial institution shall be ordered not to:

a. Sell significant assets or waiver customers guarantees
b. Extend new credits to customers
c. Change accounting methods, unless existing ones break the law
d. Pay compensation or bonuses.
e. Pay interest on liabilities above prevailing market rates.

A provisional administrator shall be appointed within 180 days of notifying capital call meeting.

Article 9

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC’s supervisory authority shall implement this Prakas.

Article 10

This Prakas shall have effect from the signing date.

Phnom Penh, 17 October 2002

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-07-134 Prokor

PRAKAS
ON
THE MONITORING OF BANKS' AND FINANCIAL INSTITUTIONS' NET OPEN POSITION IN FOREIGN CURRENCY

****

Article 1

This Prakas has the purpose of preventing Banks' and Financial Institutions' foreign exchange risks.

Article 2

For the purposes of this Prakas, terms below are defined as follows:

- A "foreign exchange risk" results from the possibility of financial loss arising from adverse movements in foreign exchange rates.
- A "foreign exchange settlement risk" results from the possibility of loss that a financial institution (FI) pays the currency it sold but does not receive the currency it bought in a foreign exchange transaction.
- The "net open position in one foreign currency" is the net outstanding balance of all assets, liabilities, and off balance sheet items in that currency. The net open position in debit is defined as "long". The net open position in credit is defined as "short".

Article 3

Banks and Financial Institutions shall maintain an effective system of internal control to identify, measure, monitor and control the extent and source of their foreign exchange risk and foreign exchange settlement risk during the trading day and at the close of business. The nature and the size of the internal control system shall be adapted to the size of the Banks' and Financial Institutions' foreign exchange transactions and foreign exchange positions.

Article 4

Banks and Financial Institutions shall at all times maintain their net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed twenty percent (20%) of Banks' and Financial Institutions' net worth.

Article 5

Every month, Banks and Financial Institutions shall produce both hard copy and soft copy reports of their net open position in foreign currency to the National Bank of Cambodia according to the attached format. The internal control system shall also ensure that the foreign exchange positions are properly reported to the NBC.

Article 6

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 7

The Regulation No B795-01 dated January 16, 1995, on the monitoring of Banks' and Financial Institutions' Open Foreign Exchange Positions and all provisions contrary to those of this Prakas are hereby repealed.

Article 8

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 9

This Prakas shall take effect from this signing date.

Phnom Penh, 27 August 2007

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-011-243

PRAKAS
ON
TRANSPARENCY IN GRANTING CREDIT FACILITIES
OF BANKS AND FINANCIAL INSTITUTIONS

******

Article 1

The purpose of this Prakas is to promote credit facilities of banks and financial Institutions with transparent, fair, reasonable and responsible manner.

Article 2

Banks and Financial Institutions shall make sure that advertising and promotional literature is fair, clear and not misleading and that customers are given clear information about products and services.

Article 3

Customers shall be given clear information about products and services before, during or after receiving credit facilities, including processing procedures, terms and conditions, interest rates and charges that apply to that facility as stated in the appendix.

Article 4

Customers should be informed in advance about changes to the interest rates, charges or terms and conditions.

Article 5

Customer information shall be treated as private and confidential, and banks and financial institutions shall provide secure and reliable core banking and payment systems. Confidentiality of customer information is not applicable for the credit bureau.

Article 6

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Inspection, General Cashier, all departments of the National Bank of Cambodia, all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall have effect from the signing date.

Phnom Penh, 27 December 2011

The Governor

Signed and Sealed: **Chea Chanto**

Appendix

CUSTOMER INFORMATION SHEET

This sheet is for information only. It sets out the current main costs and charges for the facility required and these are subject to change at the Bank's discretion. Please note that this does not constitute an offer of any facility by the bank.

Bank Name/Logo Name of Enquirer: _____

1. Branch: _____ Type of Facility: _____

LOAN AMOUNT AND BANK INTEREST/CHARGES (in KHR)

2. Amount applied for (Principal sum) _____
3. (Less: 1st installment/interest paid upfront) (_____)
4. Net amount received by customer _____
5. Applied Rate _____ % p.a
6. Effective Interest Rate _____ % p.a
7. Payment Per Month _____
8. Number of Repayments _____
9. Total Interest _____
10. Processing Fees _____
11. Other Bank Fees/Charges (please specify, if any)

_____ _____

12. Total Fee/Charges (Line 10 + Line 11) _____
13. Total Interest plus Total Fees/Charges (Line 9+Line 12) _____
14. Total Amount Payable (Line 2 + (3) or Line 4 + Line 13) _____
15. Date of Commencement of Repayment _____

ADDITIONAL CHARGES

The bank will impose charges for:-

(a) Early Repayment of Loans:	Partial repayment	Full repayment
16. If repaid within	_____year(s)	_____year(s)
17. The minimum repayment amount is	_____	
18. Prepayment Fees	_____	_____
19. Processing Fees	_____	_____
20. Notice period required	_____	_____

(b) Late Payment of Installments:

21. The interest charged will be _____% p.a. (for the overdue amount)

22. Processing Fees _____

23. Default Charges _____

THIRD PARTY CHARGES

24. The above information DOES NOT cover third party charges – such as stamp duties, legal fees, valuation fees, insurance premium etc. Please check with the respective parties for the charges.

INSURANCE POLICY REQUIRED

Officer-in-attendance: _____ Signature: _____

Date: _____

Nº B7-04-038 Prokor

PRAKAS

ON

REQUIREMENTS IN COMPLIANCE WITH FACTS AND SUBSTANCE

****

Article 1

In order for banks to give a true and fair view of financial statements and disclosure requirement in consistency with Accounting Principles of International Accounting Standards (IAS) and Cambodian Accounting Standards (CAS), bank must apply the principle of substance over form and interest accounting.

Article 2

The information presented in the financial statement must "reflect the economic substance of events and transaction and not merely the legal form"; it means that accounting must prioritize substance over the form.

Article 3

Generally, banks do not have to use accounting for hiding some transaction, by using a form complying with regulation and law, whereas substance of transaction is not complying with these laws and regulations, particularly, some affected transactions are under the form of long term prepaid lease agreements or purchases fixed assets, but which are in substance means for owners to extract bank capital.

Article 4

In case that NBC discover a transaction where accounting does not reflect the economic substance, but just a formal law or requirement, it will be demanded to reclassify this transaction under its real substance.

Article 5

In case the form allows extracting capital by shareholders, to increase profits -or assets or decrease losses -or liabilities, the amount of that transaction will be deducted from equity and net worth, and, if necessary, the bank will have to be recapitalized.

Article 6

Without prejudice of article 6, in this case NBC may take sanctions according to article 33 of the Law on the Organization and Conduct of The National Bank of Cambodia and article 52 of the law on Banking and Financial Institutions.

Article 7

The banks expenses and income accounting must comply with CAS that is the same for IAS. Interest accounting defines as follows:

- Revenue is recognized when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliability;
- Interest should be recognized on a time proportion basis that takes into account the effective yield of the asset;
- Recognition of interest revenue and expense is essential in determining the profitability of a bank;
- Interest revenue is recognized on an accrual basis, except in the case of non-performing and non-restructured loans.

Article 8

To provide a high-level information quality, commercial banks must record on a daily basis:

- Interest paid and received by/from customers, banks and all other debtors and creditors.
- Amortization of fixed assets and other assets if necessary.

Article 9

The General Direction, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under of the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 10

This Prakas shall have effect from the signing date.

Phnom Penh, 09 March 2004

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-05-054 Prokor

PRAKAS

ON

LOAN POLICIES, PROCEDURES AND LENDING AUTHORITY

****

Article 1

Every bank or financial institutions shall conform to sound and prudent credit policies, practices and procedures in the granting of credit which shall be duty approved and reviewed by management and/or board of directors.

Article 2

Every bank or financial institution shall establish:

i. Written policies and procedures setting out its loan policies, procedures and limits of lending authority of its officers and/or credit committee and board of directors and that these be communicated to all personnel involved in the credit granted activities.
ii. Credit file on all its borrowers which shall contain adequate and timely information and reliable as per appendix.

Article 3

Loan policies, procedures and lending authority shall include, the requirement for credit analysis, approval process, periodic credit review procedures documentation and other necessary information.

Article 4

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 5

This Prakas shall have effect from the signing date

Phnom Penh, 10 March 2005

The Governor

Signed and sealed: **Chea Chanto**

INFORMATION TO BE MAINTAINED IN CREDIT FILE

(I) INFORMATION ON BORROWER

(a) Natural Persons ÷ Address, Contact address, Occupation, Employer, Salary /Income, Financial position / net worth and any other relevant information.

(b) Legal Persons ÷ constitution (proprietorship, partnership) business background and history, organization structure, management team / director, shareholders /proprietor /partner, financial position and performance, and any other relevant information.

(II) INFORMATION ON CREDIT FACILITY

(a) Description of facility type (overdraft, revolving, installment, amount, currency)

(b) Purpose of facility

(c) Teams of facility÷ limits, interest rates, repayment schedules, tenor/term, expire dates

(d) Collateral Title deed number of collateral, location, types, valuation amount, valuation date and where applicable, name of appraiser

(e) Guarantors names, financial position and net worth

(III) INFORMATION FOR APPRAISAL OF CREDIT APPLICATION

(Certain information would not be applicable for borrowers who are natural persons)

(a) Assessment and recommendation of account officer/manager

(b) Approval and basis of approval by management/credit committee

(c) Qualitative analyses bases on :

- (i) Borrower information
- (ii) History of relationship with customer
- (iii) Information on the banking relationship of other related groups of the borrower with the bank
- (iv) Information obtained on the borrower from other institutions and sources, including related offices of the bank
- (v) Analysis of industry and business risk
- (vi) Single customer concentration (if appropriate)

(d) Quantitative analyses based on:

- (i) Financial position and performance (previous, current and projected)
- (ii) Business plan, source and cash flow forecast for meeting repayment requirements.

(e) Capital resources

(f) Other commitments

(g) Collateral appraisal and value

(IV) INFORMATION FOR PERIODIC CREDIT REVIEW

(Certain information would not be applicable for borrowers who are natural persons)

(a) Assessment and recommendations of credit review officer, including:

(i) Credit grading/rating accorded

(ii) Provision for losses

(iii) Interest in suspense

(b) Approval and basis of approval for renewals; revision in terms and conditions; and changes in credit grading

(c) Latest available information on:

(i) Outstanding facilities utilized, including contingent liabilities, commitment and other off-balance sheet transactions

(ii) Conduct and servicing of account

(iii) Correspondences and call report from meetings with borrowers and site visits

(iv) Current qualitative analyses based on latest updated information including review comments from internal and external auditors where available on borrower,

(d) Current quantitative analyses based on latest updated financial information, appraisals and valuations

(e) Information on the account conduct of other related groups of the borrower

(f) Analysis of industry and business risk

Nº B7-05-02 CL

CIRCULAR
ON
REQUIREMENTS FOR BANK AND FINANCIAL INSTITUTIONS
TO HAVE A SYSTEM OF CHECKS AND BALANCES

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This circular gives guidance on the need for bank and financial institutions to have a system of checks and balances in its accounting system so that the accuracy of accounting records can be enhanced and errors promptly highlighted and corrected. A system of checks and balances forms part of the overall internal control system of a bank and minimizes operational risks in banking operations. As a minimum standard, each bank should ensure that the following areas form part of its system of checks and balances.

Segregation of staff duties

Banks should not allow a single staff to perform all aspects of a banking operation. For instance, the same staff should not recommend, approve, analyze, disburse, record and control collateral in a loan operation; the staff in charge of computer operations should not also perform program development or program modifications; the cashier who accepts cash deposits for lodgment into customers' accounts should not also be responsible for the general ledger. In general, the functions of recording, custody and authorization should be kept separate for any specified banking operation. Banks should avoid conflict of interest situations when assigning tasks to staff to ensure a proper system of checks and balances.

Accounting Entries and Records

Where journal entries are raised manually, they should be properly authorized by a bank officer. The bank officer should sign on the accounting voucher as evidence of authorization before it can be posted to the general ledger. In a computerized environment, the authorization is usually done on a computer monitor on - line. However, the access and authorization rights of staff are maintained in a computer file and this should be properly reviewed by management in respect of data entry, authorization and modification.

Dormant or Inactive Accounts

Banks should segregate dormant and inactive accounts from active accounts to have better control over these accounts. An account is normally considered dormant if there is no activity for over 12 months. Special attention should be paid to dormant accounts of demand and savings accounts of customers. A check and balance system would require specific authorization from a senior bank officer if there was a sudden account activity in the dormant account.

Banks should transfer credit balances of customer accounts which have been dormant for 10 consecutive years to the National Bank of Cambodia for administration in accordance with article 71 of the Law on Banking and Financial Institutions.

Monthly Balancing of Subsidiary Accounts

Banks should periodically agree the subsidiary records and accounts to the control accounts and general ledger. This should be done not less than once a month.

Physical Count of Assets

Banks should have written procedures to periodically count physical assets to agree with the control accounts and general ledger. The following states the minimum frequency of counting.

Physical assets	Frequency
Cash in vault and on hand	Monthly
Securities	Monthly
Certificates of deposits	Monthly
Collateral	Semi - Annually
Bills Receivable	Quarterly
Usance Bills	Quarterly
Letters of Credit Outstanding	Semi - Annually
Guarantees	Semi - Annually
Properties	Semi - Annually
Fixed assets	Semi - Annually

Bank Reconciliation

Banks should ensure that reconciliations are carried out for all nostro accounts, at least once a month. Open items should be properly investigated and followed to their proper conclusion. Bank reconciliations should also be reviewed by a bank officer who should approve them.

Suspense Accounts

Items recorded in suspense accounts should be promptly investigated and properly transferred to the proper chart of accounts number. Suspense items should not be carried forward for more than a few days. Bank management should write off items in suspense if they cannot be recovered. This account is not to be used when a proper chart of account number exists to record the transaction.

Backup procedures and Disaster Recovery Procedures

Banks should have written procedures concerning backup of accounting records, customer records, computer tapes and disks, collateral register and other documents of value. Among the items to consider are such issues as frequency of backup, off–site location, media of backup and procedures. Banks should have written procedures on disaster recovery and business resumption plans.

Backup procedures and disaster recovery procedures should be tested at least once a year. Proper documentation should be kept.

Internal Audit

Banks should set up an internal audit department. The internal auditor should report to the highest management level practicable and be independent of operating functions to maintain independence and efficacy.

Banks are reminded of Prakas B7.00-04 on the Licensing of Banks, Article (l) on Internal Audit.

Phnom Penh, 25 January 2005

Bank Supervision Department

Signed: **Mr. Phan Ho & Mr. Kim Vada**

Nº B-7-08-211 Prokor

PRAKAS
ON
GOVERNANCE IN BANK AND FINANCIAL INSTITUTIONS

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CHAPTER 1
GENERAL REGULATIONS

Article 1

The purpose of this Prakas is to strengthen governance of Banks and Financial Institutions, hereafter called "Institutions" by organizing different levels of management such as an independent and active board, an Executive board, and specialized committees with the qualifications, capacity and integrity for effectively managing the institutions.

Article 2

For the purposes of implementing this regulation the following definitions shall apply.

"Decision-making body" or "Board": the collegiate body that is responsible for supervising the management and situation of the financial institution on behalf of the shareholders, i.e., the board of directors of public limited companies governed by the Law on Commercial Enterprises or the equivalent supervisory board of firms having a different legal form.

"Executive body": the persons who are responsible for the effective management of the financial institution, referred to in Article 6 of the Prakas B7-00-04 on the Licensing of Banks, Article 5h of the Prakas B7-00-05 on the Licensing of Rural Credit Specialized Banks or Article 5h of the Prakas B7-00-06 on the Licensing of microfinance Institutions.

"Audit committee": a specialized committee that may be set up by the decision-making body. The decision-making body shall determine its membership, tasks, operating procedures and the conditions in which the statutory auditors and any other person belonging to the institution shall be involved in its work.

"Risk committee": a specialized committee that may be set up by the decision-making body. The decision-making body shall determine its membership, tasks and operating procedures.

"Remuneration and nomination committee": a specialized committee that may be set up by the decision-making body. The decision-making body shall determine its membership, tasks and operating procedures.

"Senior management": a group of key executives overseeing day-to-day management of the institution.

CHAPTER 2

QUALIFIED, ACTIVE AND INDEPENDENT BOARD

Article 3

Board members should be qualified. This means that they shall:

- Undergo the fit and proper testing process at the NBC which is part of the licensing processes;
- Understand their role, including the institution's risk profile;
- Be trained if necessary so as to maintain a collective expertise;
- Understand their duties to shareholders, to the institution, and to stakeholders;
- Understand the overall regulatory environment in order to be knowledgeable of regulatory issues that could arise.
- Follow up on current market conditions and be knowledgeable of the competitive environment of the institution's business.
- Have time and energy to be able to act efficiently.

Article 4

Board members should be active. They should at least:

- Approve the institution's strategy, the risk policy and management procedures;
- Structure themselves in a way to make discussions efficient;
- Select, monitor, replace key executives;
- Question senior management;
- Design a reporting system that enables them to perform their duties in a timely and knowledgeable manner;
- Meet regularly with senior management and internal audit;
- Regularly assess their practices;
- Periodically assess the institution's policies in light of performance and potential issues and problems that can be identified;
- Exercise forward-looking judgment in order to identify potential issues and problems facing the institution and ensure that adequate corrective actions be taken promptly where required.

A board member shall attend meetings at least two times in one year. A board member shall be dismissed when he/she does not attend three consecutive board meetings without an appropriate reason.

It is the Board's responsibility to immediately inform the National Bank of Cambodia of any foreseen or of any existing changes in ownership and/or in voting rights held in the banking institution. This reporting responsibility not only concerns any change leading to reach a 5% or a 20% threshold in capital holdings or in voting rights held but also any change that would have a direct or indirect impact in terms of effective control of the banking institution, either through percentage of shares held or voting rights detained. This reporting responsibility applies to the Board without any prejudice to other regulatory requirements related to new or transferred shares and/or voting rights.

Article 5

Board members should exercise sound judgment. They should:

- Avoid conflicts of interest;
- Decline from participating in decision-making when in such conflict;
- Promote the institution's safety and soundness.

Article 6

1- For commercial banks, except foreign bank branches, the board shall include at least two independent members. Independent members are defined as being capable of exercising judgment independent of the views of management, political interests or inappropriate outside interests.
2- For specialized banks and Microfinance Institutions, the body acting as a board of directors shall at least be composed of 3 board members, among whom 1 should be independent under the definition provided in Article 6.1. Should such institutions have a board of directors composed of more than 3 members, they shall ensure that, a minimum, one third of its members are independent.
3- Foreign bank branches are required to adopt good governance policies and procedures aimed at complying with the principles set forth in this Prakas. The strength of local governance of a foreign bank branch shall be commensurate with the level of management autonomy granted by foreign headquarters to local executives.

Article 7

Institutions shall establish an Audit Committee and Risk Committee and may establish a Specialized Committee as needed or as required by NBC.

Article 8

The Audit Committee of Institutions shall be chaired by an independent board member. It shall include at least an independent person with expertise in finance and accounting, and an independent person with expertise in legal issues and banking.

As a minimum, the Audit Committee shall be responsible for:

- ensuring that the information provided to the public and to NBC is clear, accurate and reliable;
- assessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any;
- assessing the quality of internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommending further action where appropriate.

Article 9

The Risk Committee of Institutions shall be chaired by a person with expertise in finance and risk management. That person shall be independent from day-to-day operations.

As a minimum, the Risk Committee shall be responsible for monitoring the implementation of risk management policies, as defined by the board.

Article 10

If an Institution has a Remuneration and Nomination Committee, the committee shall be chaired by an independent board member. It shall include at least one independent person with expertise in legal issues and banking.

As a minimum, the Remuneration and Nomination Committee shall be responsible for:

- ensuring that the remuneration policy is consistent with the long-term objectives and corporate values of the institution;
- recommending procedures to select and replace board members;
- recommending independent persons who will become committee members as referred to in this Prakas;
- approving the nomination of senior management.

CHAPTER 3

STRATEGIC OBJECTIVES AND CORPORATE VALUES

Article 11

The board should define corporate values and make sure they are spread, understood and adhered to within the organization. These corporate values must take into account the interests of shareholders and depositors.

Article 12

The board should make sure that policies and procedures are established in writing and fully complied with, especially with regard to the following:

- Conflicts of interest;
- Lending to officers and employees;
- Transactions with related parties and affiliates.

Article 13

Potential conflicts of interest deserve special attention from the board.

- Special attention is required where the institution is part of a group;
- Conflicts should be prevented, managed and disclosed;
- Information barriers should be set to avoid conflicts of interest;
- Information about clients should be clear and fair about conflicts of interest;
- Supervisors should be closely informed of potential conflicts of interest.

CHAPTER 4

CLEAR LINES OF RESPONSIBILITY

Article 14

The board should define its own responsibilities and those of senior management consistently with applicable laws and regulations.

Senior management should establish clear rules to delegate its duties to the staff. Senior management should also establish clear reporting requirements aimed at supporting an effective surveillance of compliance with the established rules discussed above.

Senior management which is part of the Executive Body, as defined in article 2 of this Prakas, shall undergo a fit and proper testing process at NBC prior to taking on their executive responsibilities within the institution.

Article 15

In banking groups, senior management should design the management structure at the group level and also at the level of each company that is part of the corporate group structure. The board of any subsidiary must fully retain its own governance responsibilities. Similarly, out sourcing of key functions does not eliminate the institution's responsibilities in overseeing activities and managing risks.

Article 16

The board should ensure that there is appropriate oversight by senior management consistent with board policy. The senior management should have the necessary skills.

Senior management shall be accountable for its decisions and actions towards the Board. Senior management should fully adhere to policies established by the board and should, on a regular basis, report to the board on the institution's risk-profile, performance, issues, major litigation and actual or potential regulatory issue(s).

CHAPTER 5

PROMOTION OF QUALITY AND EFFICIENCY OF AUDIT

Article 17

The board and senior management should effectively use the work of auditors and internal control functions.

- Management should communicate acknowledgement of internal and external auditors' work importance throughout the institution;
- Findings of internal audits should result in effective corrective action where and when required;
- Timely implementation of required and effective corrective actions shall be considered in light of the findings' gravity and of the risk for further deterioration of the overall institution's risk profile and regulatory compliance condition.

CHAPTER 6

COMPENSATION POLICIES

Article 18

The board and, where relevant, the Remuneration and Nomination Committee, should ensure that compensation policies and practices are consistent with the institution's corporate culture, long-term objectives and strategy, and control environment.

The board should determine or approve compensation of board members and senior management.

Remuneration of non-executive directors should be proportionate to their involvement but not related to the short-term performance of the institution.

Incentives for board members and senior managers should aim at enhancing long-term corporate value.

CHAPTER 7

TRANSPARENCY

Article 19

Financial institutions should be governed in a transparent manner. Disclosure to the public should be proportionate to the financial institution's size, activity, complexity and risk profile. Disclosure should include at least the following:

- Board structure and management structure of the institution,
- Basic ownership structure,
- Where applicable, corporate group structure and corresponding ownership shares held,
- Organization,
- Incentives,
- Code of conduct or ethical code,
- Policies as regards conflicts of interest,
- Lending policies and limits applying to related parties and affiliates.

CHAPTER 8

UNDERSTANDING OF INSTITUTION'S STRUCTURE

Article 20

The board and senior management:

- should understand the institution's operational structure, including where the institution operates in jurisdictions or through structures that impede transparency;
- should ensure that senior management follows clear policies as regards operating through non-transparent structures or jurisdictions;
- appropriate policies should be in place for the approval and review of complex financial structures, instruments or products;
- should make sure that internal audit does not leave these structures or activities out of their regular reviews;
- should ensure that outsourced key activities remain under sufficient control and that the corresponding risks are adequately identified and monitored.

CHAPTER 9

TRANSITIONAL PROVISIONS

Article 21

1- Starting from the publication of the present regulation, commercial banks and specialized banks, except foreign bank branches, shall fully comply with all provisions and requirements established on governance and, more specifically, with the ones set forth in article 6 of this Prakas no later than:

- 12 months for institutions with a total headcount of higher than 300 or total assets higher than KHR 400 thousand million, at publication,

- 18 months for institutions with a total headcount of more than 150 but less than 300 or total assets from KHR 200 thousand million to KHR 400 thousand million at publication, and

- 24 months for institutions with a total headcount below 150 or total assets below KHR 200 thousand million at publication.

2- Within 9 months from publication of the present regulation, banking and financial institutions shall provide NBC with an action plan detailing the steps taken/ to be taken in order to fully comply with the requirements set forth. This action plan shall notably discuss:

- the profiles the bank is looking for to fill the positions with respect to its targeted organizational structure,
- a clear description of responsibilities for both independent and other board members, and
- intended responsibilities of independent board members especially with regard to the committees to be established.

3- Action plan and targeted organization and responsibilities discussed above shall be clearly discussed and reported in a timely fashion to NBC.

Article 22

Foreign bank branches shall report in writing within 9 months from the publication of the present regulation to NBC on their governance policies and procedures. They shall discuss:

- the decision-making autonomy granted by their headquarters

- the policies and procedures established on governance and control matters by the headquarters they have to comply with

- detail the reporting lines of branch executives to the board members and their responsibilities within the institution such as established in the headquarters

- discuss the delegations granted by the head office to local executive managers

- discuss the established internal control policies and procedures local risk management processes and authorities required from head office to engage the institution through transactions performed by the branch.

Underlying documentation above shall be addressed to NBC, through copies and with the report.

NBC might require a periodic update of such reporting in order to update its assessment of the strengths and weaknesses of foreign bank branches' governance and controls.

Article 23

For microfinance institutions, compliance should be achieved no later than 24 months from publication of this regulation. Institutions shall provide NBC with an action plan detailing the steps taken/ to be taken in order to fully comply with the requirements set forth. This action plan shall notably discuss:

- the profiles the bank is looking for to fill the positions with respect to its targeted organizational structure,
- a clear description of responsibilities for both, independent and other board members and
- intended responsibilities of independent board members especially with regards to the committees to be established.

Where necessary, an action plan should be sent to NBC within 9 months of publication.

CHAPTER 10

FINAL PROVISIONS

Article 24

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all financial institutions under NBC's supervisory authority shall strictly implement this Prakas.

Article 25

This Prakas shall have effect from the signing date.

Phnom Penh, 25 November 2008

The Governor

Signed and sealed: **Chea Chanto**

B7-08-212 Prokor

PRAKAS
ON
FIT AND PROPER REGULATORY REQUIREMENTS FOR APPLYING ENTITIES AND LICENSED BANKS AND FINANCIAL INSTITUTIONS

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CHAPTER 1
GENERAL PROVISIONS

Article 1

This Prakas establishes minimum requirements that persons holding key positions in licensed banks and financial institutions or in legal entities applying for such a license must be assessed for the purposes of being deemed "fit and proper" for the exercise of such responsibilities.

The objectives of this regulation are:

(i) To safeguard the interests of depositors and stakeholders by ensuring that banks and financial institutions are soundly and prudently managed and directed;
(ii) To set out a minimum framework which can be used by banks and financial institutions themselves when determining whether a person approached about taking a key position is fit and proper;
(iii) To address the risk of serious mismanagement of a banking or a financial institution and to prevent from potential threats to the overall banking system and to the depositors' interests' protection.

Article 2

Although the main responsibility for designating "fit and proper" board members primarily lies with the shareholders and that all institutions shall have adequate internal policies establishing safe and sound standards for the selection of their executives and senior management personnel, it is also the licensing and supervisory authority's responsibility to assess the honesty, integrity, reputation, competence and capability of current and prospective key persons in terms of effective direction of the institutions.

These persons shall also fully comply with the requirements established in Prakas B7-08-211 on Governance in Banks and Financial Institutions; dated November 25, 2008.

Article 3

In performing its fitness and propriety assessments, NBC will also determine if the applicants for key positions at a banking or financial institution have the degree of competence and experience commensurate with their responsibilities. Competence and experience shall be assessed against the size and risk-profile of the institution as well as against the size and complexity of business and against the sophistication of transactions performed.

CHAPTER 2

KEY PERSONS REQUIRED TO UNDERGO THE FIT AND PROPER TESTING

BY THE NATIONAL BANK OF CAMBODIA

Article 4

Key persons required to undergo the Fit and Proper Testing by NBC are:

(i) Board members;
(ii) Senior Management in the sense of members of the Executive Body as defined in Prakas B7-08-211 on Governance in Banks and Financial Institutions; dated November 25, 2008, Article 2;
(iii) Foreign Bank Branch managers; And
(iv) Any person acting as an alternate or a proxy of any above-mentioned persons.

Article 5

Undergoing the Fit and Proper Testing is required in all the following circumstances for any applicant mentioned in Article 4:

(i) Application for a Banking or a Financial Institution license in Cambodia;
(ii) Application from a foreign bank to open a subsidiary in Cambodia;
(iii) Application for opening a foreign bank branch in Cambodia;
(iv) Any decision made by the Shareholders' Assembly or by the Board itself resulting in an increase of the number of Board members;
(v) Any decision made by a Foreign Bank that has established a subsidiary in Cambodia resulting in an increase of the number of Board members;
(vi) Any decision leading to designate alternates or proxies of persons mentioned in article 4, (i), (ii) and (iii); And,
(vii) More generally, any change occurring after dismissal or resignation of such persons.

CHAPTER 3

INFORMATION REQUIREMENTS

Article 6

In the course of a licensing process for a new banking or financial institution, required information related to fit and proper assessments of key persons should be provided to NBC as part of the application's supporting files. In addition, functions to be held and responsibilities to exercised shall be discussed on help of the submitted organization chart.

Article 7

For already licensed institutions, any change in key persons shall be immediately reported in writing to NBC no later than 30 days after any resignation, retirement or removal of a key person.

For a vacant or newly established position, NBC will review the fitness and propriety of a proposed candidate prior to the finalization of the appointment. NBC will not be able to

confirm that it has no objection to such an appointment until it has received and reviewed all the required information.

The NBC might require and conduct an interview with the proposed person in order to further elaborate its opinion on the applicant's fitness and propriety in light of the offered position and the overall institution's risk profile.

Article 8

Subject to effective completion of the corresponding application file, NBC shall notify its decision in writing to the banking or financial institution within 30 days.

CHAPTER 4

FIT AND PROPER ASSESSMENT AND CRITERIA

Article 9

Applicants for key positions will be assessed against several types of criteria in order to determine if they are sufficiently fit and proper to meet the following requirements:

(i) Honesty, integrity, reputation and fairness;
(ii) Education, competence and capacity; and
(iii) Financial soundness.

Article 10

To assess honesty, integrity, reputation and fairness, NBC will consider all appropriate factors, including, but not limited to:

(i) Whether the person has been convicted or found guilty of a criminal or disciplinary offence;
(ii) Whether the person has been found guilty of perjury or false evidence;
(iii) Where the person is a controlling or influential shareholder, whether the person has been disciplined or suspended by a regulatory or a professional body, a court, publicly or privately;
(iv) Whether the person has been the owner of, or held a responsibility position within, a company or organization that has been refused registration or had its license revoked, withdrawn or terminated;
(v) Whether the person has been dismissed or asked to resign from employment because of concerns over his/her integrity and honesty;
(vi) Whether a person has ever been disqualified from acting as a director or serving in a managerial position because of wrongdoing;
(vii) Whether the person has not been ethical, truthful and forthcoming in dealings with customers, superiors, auditors and regulatory authorities;
(viii) Whether the person might have been involved in activities such as money laundering, financing of terrorist activities, forgery or corruption, although legal qualification of acting or degree of participation is such activities might not lead to a criminal qualification in certain countries;
(ix) Whether the person is able to make independent judgment and decision in light of the responsibilities to be exercised; and

(x) Whether the person demonstrates a readiness and willingness to comply with the regulatory requirements and best practices aimed at supporting a safe and sound banking system.

Article 11

A person must exhibit adequate education, competence, experience and an ability to understand the technical requirements of the business, the inherent risks and the management processes required to take over the responsibilities to conduct the operations effectively and in a safe and sound manner, with due regard to the interests of all stakeholders.

In evaluating the professional competence and capability of a person, the NBC will consider all relevant factors, including, but not limited to:

(i) Whether the person has an appropriate educational background allowing for a fair and sufficient understanding of the business and its related risks;
(ii) Whether the person has demonstrated, through qualifications, experience and performance at previous positions, the capacity to successfully undertake the responsibilities involved by the position;
(iii) Whether the person has a sound knowledge of the business and the responsibilities of the position and whether this knowledge is commensurate to the risk-profile of the institution, to the size and complexity of business and to the level of sophistication of the transactions performed;
(iv) Whether the person has ever been disciplined by a professional, trade or regulatory authority, dismissed or requested to resign from any position or office for negligence, incompetence, fraud or mismanagement; and
(v) Whether the person disability for work that may affect his/her competency or independence of judgment.

Article 12

NBC shall also consider the financial soundness of applicants in evaluating fitness and propriety.

Proper and prudent management of a person's own financial affairs is a demonstration of the person's capacity to contribute to the safety and soundness of a financial institution and its interests as well as other stakeholders' interests. In addition, any unsound personal financial condition might also impact the independence of judgment of a person.

NBC shall consider all relevant factors, including but not limited to:

(i) Whether the person has been subject to any judgment by a court or subject to disciplinary action before professional authorities, especially, if there are still outstanding claims related to such action;
(ii) Whether the person has past due outstanding balances in another bank(s) and has not cleared his/her situation;
(iii) Whether the person has made any arrangements with his/her creditors, filed for bankruptcy, been adjudged bankrupt, had assets confiscated, or has been involved in proceedings related to any of the above mentioned.

CHAPTER 5

CONTROLS ON FITNESS AND PROPRIETY OF KEY PERSONS

Article 13

Banks and financial institutions shall establish policies and processes aimed at ensuring that key persons, but also other already appointed personnel or applicants to vacant positions, comply with minimum Fit and Proper requirements.

Article 14

Should a key person no longer comply with the minimum Fit and Proper requirements, NBC shall be informed in writing of the situation and no later than 30 days after the facts were uncovered. Even if the circumstances that might lead to consider unfitness or impropriety remain unclear, such reporting to NBC shall be performed and supported by a detailed narration of facts and circumstances. NBC shall answer in writing within 30 days from reception of the complete information file to determine if, in its views, there is an objection for the key person to be maintained in the position or no objection to do so.

Article 15

No key person shall be appointed at a bank or at the financial institution prior to obtaining the non-objection decision from NBC in writing.

No key person who would no longer comply with the minimum requirements set forth in this Prakas shall be maintained in his/her position.

Article 16

For new applicants to key responsibilities defined in Article 4 of this Prakas, who would not fully comply with the requirements due, among other reasons, to insufficient education, training or experience, NBC would consider issuing a “non objection” decision that would make provisions such as taking training courses or being first appointed in a deputy or a proxy position over a probation period that shall not exceed 18 months.

Fulfillment of conditions set forth during the probation period shall be assessed by NBC at the end of the prescribed period. All information, files and performance records shall be sent to NBC within 30 days, starting from the end of the probation period. Pursuant the provisions set forth in Article 7, NBC might require and conduct an interview with the concerned person in order to comfort its opinion on his/her fitness and propriety in light of the effective fulfillment of conditions, judgment and managerial capacity and evidenced performance during the probation period.

CHAPTER 6

SANCTIONS

Article 17

NBC shall crosscheck information and data supporting evidence material sent with the application file for a key position at a bank or a financial institution. Should faithless or forged statements or police records or statements issued by professional or regulatory authorities be transmitted, NBC shall issue regulatory sanctions and fines against the institution as well as against the individuals who knowingly transmitted such information. In the course of a licensing assessment, such behavior could also lead to license rejection.

Article 18

If during the course of an on-site examination process at a banking or financial institution, NBC staff member in charge determines that:

(i) Key persons did not undergo the Fit and Proper assessment laid out by this Prakas;
(ii) Key persons actually do not satisfy further the minimum requirements to be considered fit and proper;
(iii) Although not designated as "key persons," individuals do actually exercise, de facto, key responsibilities and effectively direct the banking or financial institution;
(iv) In contravention with an objection issued by NBC, an individual actually exercises key responsibilities within a banking or financial institution;
(v) After a probation period that shall not exceed 18 months, a key person did not comply with the requirements set forth in Article 16 of this Prakas; or
(vi) A key person, even though deemed fit and proper at the origin by NBC, no longer complies with minimum requirements;

Institutions in violation of the provisions of this Prakas will give rise to the disciplinary sanctions set forth in Article 52 of the Law on Banking and Financial Institutions.

CHAPTER 7

IMPLEMENTATION

Article 19

The General Directorate, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under NBC's supervisory authority shall strictly implement this Prakas.

Article 20

This Prakas shall have effect from the date of signing.

Phnom Penh, 25 November 2008

The Governor

Signed and sealed**: Chea Chanto**

B7-010-172 Prokor

PRAKAS
ON
THE INTERNAL CONTROL OF BANK AND FINANCIAL INSTITUTIONS

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CHAPTER I
GENERAL PROVISIONS

Article 1: Principles

1.1 Although the responsibility for safe and sound operations and abiding by applying laws and regulations relies essentially with management of the banking and financial institutions hereinafter called " Institutions" , the establishment of an adequate internal control system shall be considered as an effective means to:

(a) Support management in the exercise of its responsibilities;
(b) Allow for early identification, assessment and management of risk, and
(c) Support risk-awareness and responsiveness in implementation of corrective actions.

1.2 The internal control system shall also be considered in light of the volumes and complexity of the activity, corporate group structure, establishments (domestic and abroad), and of the various types of risk to which they are exposed. The internal control system shall be commensurate to such activities' and operations' complexities, adequately staffed and provided with appropriate other resources required for effectiveness purposes, such as, but not limited to, management information systems and contingency planning and testing.

1.3 An effective internal control system shall also aims at promoting the sense of individual responsibilities and shall be supported by clear and well understood accountability rules throughout the entire organization. Such accountability rules shall be effectively supported by clear reporting lines to management, senior management and to the Board of Directors or equivalent executive body. The accountability rules should also be tailored in a way that effectively supports the arrangement made for delegating authorities and making sure that beneficiaries of delegated authorities are clearly aware of checks and controls involved by such delegations throughout the entire chain of management and command.

1.4 For the purposes of this Prakas, the Internal Control System shall notably-but not limited to include the followings;

(i) A control system for operations and internal control procedures;
(ii) The organization of accounting and information processing systems;
(iii) Risk and result measurement systems;
(iv) Risk identification, measurement and monitoring systems as well as the risk control systems supporting corrective actions;
(v) Segregation of duties, prevention from conflict of interest situations and resolution policies and procedures;
(vi) Compliance policies, procedures and processes;
(vii) Documentation and information system; and
(viii) A system for the monitoring positions and flows of cash and securities.

1.5 Where applicable, the Internal Control System shall be set up at a consolidated level and effectively support risk identification, measurement, monitoring and control at such

consolidated level. Responsibilities, reporting lines and accountabilities shall be established subsequently in order to fully and clearly support the effectiveness of the consolidated Internal Control System.

Article 2: General Objectives

The purpose of the overall Internal Control System is to provide optimal conditions in terms of security, reliability and comprehensiveness for:

2.1 Ensuring that the institution's operations, organization and internal procedures comply with relevant laws and regulations, customary business practices and ethics and the business strategy determined by the executive body;
2.2 Ensuring strict compliance with decision-making procedures and risk-taking policies and procedure, whatever the kind of risks involved, and with the management standards set forth or approved by the executive body. Such policies and procedures shall notably take the form of authorized and prohibited activities and transactions as well as limits applying to the different types of risks;
2.3 Ensuring the quality of financial and accounting information, whether destined for the executive and decision-making bodies, for the supervisory authorities or for general public disclosure;
2.4 Verifying the conditions in which such information is assessed, recorded, stored and made available, in particular by ensuring that the Audit Trail Systems and Procedures are effective and allow for retrieving legal documentation or accounting supporting documents at the origin of the elementary entries into the accounting and into the risk management information systems;
2.5 Through periodic assessments and reviews, ensuring for quality and appropriateness of information and communication systems within the organization at both, individual and, where applicable, consolidate levels, and towards the authorities and the external auditors.

Article 3: Definitions

For the purposes of this Prakas, following definitions shall be strictly considered:

- **"Audit Committee":** A Committee that should be set up by the Executive Body to assist it in the exercise of its functions. The Executive Body shall determine its membership, tasks, operating procedures and the conditions in which the External Auditors, the Internal Auditor and any other person belonging to the organization shall be involved in its work.

  The Audit Committee shall be chaired by an independent Board or Executive Body member who shall not be directly in charge of risk-taking activities or business development areas.
  Under the responsibility of the decision-making body, the Audit Committee shall notably be in charge of following tasks:
  (a) Ensuring that the financial and risk-related information is clear and assessing the relevance of the accounting and valuation methods used for the establishment of the individual and, where applicable, consolidated accounts and financial statements;

(b) Assessing the quality of internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommending further action where appropriate;
(c) Following up on effective corrective actions' implementation, notably by tracking pending and outstanding recommendations issued by Internal Audit and further supporting the work of Internal Audit.

- **"New Products / New Activities":** For the purposes of this regulation, New Products / New Activities shall be viewed as any transaction, new service, new equity participation, new outsourcing decision, or whatsoever that would involve changes, upgrades, IT developments, legal aspects, compliance and risk assessments, consumer protection, material policy, procedural, processing and organizational changes, accounting entries and charter of accounts upgrades and changes ect. which if not appropriately performed could result in unidentified operational, legal-compliance, or any type of risk for the institution. Such risk need to be assessed prior to taking on such new products and activities by all functions involved- operational, support as well as control functions and, where necessary, appropriate measures taken to adequately process, control, monitor, manage and, where deemed necessary, mitigate the risks involved by such new activities and products.
- **"Executive Body":** executive body refers either to the Board of Directors for Corporate entities where executive responsibilities only rely with the Board of Directors or the Executive Board for corporate entities where a Supervisory Board has been established.
- **"Supervisory risk-profile assessment":** Comprehensive analysis of a covered institution's condition based on all the data and information made available to the supervisory authority in charge. Such assessment aims at evaluating all the risks carried by a covered entity (solvency, liquidity, credit/counterparty, market and interest rate, notably) and, but not limited to, the quality of internal controls, risk, business and funding concentration issues, insufficient ability to withstand adverse business or market development, risk management organization and effectiveness, staffing, segregation of duties, potential for conflicts of interest, independence of "key" functions, effectiveness of reporting lines, IT infrastructures and processes, Management Information Systems, Corporate Governance, Shareholders' support, Contingency Planning, procedures and effectiveness of back-up solutions supported by periodic testing.
- **"Consolidated risk-profile assessment":** Supervisory risk-profile assessment performed at a consolidated level by the National Bank of Cambodia acting as a consolidated supervisor. When and where applicable, such a risk-profile assessment shall also be performed at the level of a financial conglomerate.
- **"Credit/counterparty risk":** the risk incurred in the event of default of counterparty or of counterparties deemed to constitute a "single beneficiary" in the sense of the definition set forth in the Prakas on Asset Classification and Provisioning in Banking and Financial Institution. Such risk shall be considered globally for both on balance sheet positions and off-balance sheet commitments and contingencies.
- **"Market risks":** any exposure to financial losses due to changes of assets' prices in the money, capital and financial markets. Market risks encompass interest rate risk, foreign exchange currency risk, equity risk and commodity risk.

- **“Overall interest-rate risk”:** the risk incurred by banking book transactions accounted for on-balance as well as off-balance in the event of interest-rate fluctuations due to imbalances between funding and lending terms. Such overall interest-rate risk directly impacts the institution’s net interest margin which shall be adequately monitored and managed alongside with the overall liquidity condition by a dedicated Committee, such as an Asset and Liability Committee (ALCO). Banking Book refers to items for which interest income and interest expense are accounted for on an accrual basis. Interest rate risk involving price changes for tradable instruments, due to implementation of mark-to-market or fair value, shall be considered market risk.
- **“Liquidity risk”:** the risk that, in a given market situation, the institution might not be able to fulfill its obligations or will not be able to unwind or offset a position with the consequence that it might be considered as being defaulting by other market participants, Liquidity risk shall be considered for cash, in domestic and foreign exchange currencies, as well as for any other tradable or listed asset the Institution is trading in.
- **“Settlement risk” / “delivery risk”:** The risk that settlement in a payment system will not take place as expected. The risk incurred during the time when the payment or delivery order for a financial instrument that has been sold/ purchased can no longer be unilaterally cancelled and the final receipt of the corresponding cash or financial instrument.
- **“Operational risk”:** the risk incurred by an inadequacy or a failure attributable to internal procedures, personnel, internal systems or to external events.
- **“Legal risk”:** the risk of litigation with any counterparty caused by any lack of clarity, inaccuracy or deficiencies whatsoever that may be attributed to the institution in the course of its operations, Legal risk is a sub-category of operational risks involved by operations.
- **“Intermediation risk”:** the risk that a principal or counterparty will default in a transaction involving financial instruments for which a reporting institution has guaranteed final settlement or delivery.
- **“Business continuity plan”:** a set of measures and procedures designed to ensure according to various crisis scenarios including severe shocks or adverse conditions, the continuation of essential services for the institution, where appropriate and temporarily in a degraded mode, but with the aim of resuming normal operations as soon as possible. Such business continuity plan might be broken down into several “contingency plans” such as, but not limited to “liquidity contingency planning”, “Information Technologies and Systems contingency planning and backups ” or “Crisis management planning”
- **“Non-compliance risk”:** risk of judicial, administrative or disciplinary sanction(s), of significant financial losses or loss of reputation arising from the failure to comply with the prevailing laws and regulations, professional and ethical standards, specific regulations issued by market authorities, relating to banking and financial activities and with policies and instructions issued by the decision-making body.
- **“Outsourced activities”:** activities for which the reporting institution entrusts the provision of essential services to third parties by ways of sub-contracting such activities and services on a permanent and habitual basis. Essential activities and services shall be understood as the ones for which the failure to deliver timely by the sub-contractors would result in disruptions in the normal operations of the

reporting institution and could have significant impacts on the institutions ability to fulfill its obligations or reputation.

- **"Concentration risk":** risk arising either directly or indirectly, from risk exposures to the same counterparty, groups or related counterparties, to the same issuer of securities, to the same economic sector, geographic region, country, to a given type of asset or collateral category or due to significant exposure to a counterparty with which significant risk mitigation transactions were transacted.
- **"Whistle blowing procedure":** any procedure aimed at addressing a real or potential conflict of interest situation or compliance issue arising in the course of normal operations by setting up adequate and independent reporting lines and establishing individual protection rules aimed at benefitting to staff members acting in good faith and in the institution's overall interest.

CHAPTER II

ORGANIZATION OF INTERNAL CONTROL SYSTEM

Article 4: Board and Senior Management Responsibilities

4.1 Its is the Board's responsibility to establish the general framework for an appropriate Internal Control System that complies with the provisions of the present Prakas. The Internal Control policies aimed at establishing an effective Internal Control System shall be approved by the Board and periodically assessed and, if required by circumstances, revised.

4.2 The Board shall notably establish the Board level committees, designate their members, and clearly define their missions and the conditions under which their chairs shall report to Board. Despite of other committees foreseen in Prakas on Governance in Banks and Financial Institutions, The Board shall consider establishing other dedicated Committee(s) where deemed appropriate due to complexity and size of operations and organization with the aim of prudent risk taking and risk management objectives.

4.3 The Internal Control policies shall also foresee the conditions under which new activities, new services or new financial participations can be undertaken. Such preliminary risk assessments and evaluation processes aim at ensuring the adequacy and capacity of Internal Control System, Risk Management processes, Accounting and Reporting function and Compliance procedures prior to undertaking such new activities and participations shall be performed under the responsibility of senior management and discussed in a New Activities and Products Committee (NAP Committee).

The assessments performed and the corresponding recommendations made to the Board shall be formalized. All Committees' minutes shall be filed and made available without any restriction to the Supervisory Authority, Internal Audit and External Auditors at their request.

Where such recommendations foresee preliminary conditions to be fulfilled or testing period, the Internal Control policies shall foresee procedures aimed at assessing effectiveness prior undertaking new activities, offering new services, performing the planned investments through financial participations or establishment of subsidiaries. For the latter, consolidated Internal Control procedures and risk management processes shall be established. More specifically, potential impacts on financial condition, liquidity and solvency management shall be prudently assessed and require the Board's attention.

4.4 As a general principle, Board level committee dealing with Internal Control, Audit, New Activities and Products, Risk Management and Remuneration shall be chaired by independent board member(s) that are not involved in daily operation, business development or administration. Committees' organization and chairing shall always be considered in light of potential conflicts of interests and shall be set up in a way aimed at informing timely and effectively the Board and at supporting knowledgeable decision making.

4.5 The Board shall also establish risk taking policies that shall be reviewed in light of financial condition of the institution and, where applicable, group or financial conglomerate, and market developments. Such policies shall notably establish the prohibited activities, risk tolerance and aversion principles, essentially in the form of minimum liquidity and solvency buffers, overall risk concentration limits and policies aimed at dealing with crisis situations (contingency planning). Such policies shall be periodically reassessed and the compliance function shall provide the Board with assessment aimed at ensuring that such policies are clearly understood and fully adhered to.

4.6 The Board shall be responsible for provision of adequate and qualified resources to fill in the positions to be established in order to carry out permanent and periodic controls. Such resource shall be commensurate it size and complexity of business as well as to the organization and corporate structure. The Board shall also ensure that Internal Audit can operate independently by 1) being staffed adequately, 2) being given full access to information and data required to carry out its missions throughout the entire organization, and 3) being provided with appropriate IT, management information system' accesses, training, methodological and audit planning resources.

Article 5: Internal Control System: permanent and periodic controls

5.1 The overall organization and policies related to the Internal Control System shall be approved by the Board of Directors or its equivalent. Such Internal Control System shall encompass both, permanent controls and a periodic control function.

5.2 The permanent controls shall be established and designed in order to control on an ongoing basis;

(i) Compliance with prevailing laws and regulations, professional and ethical standards, specific regulations issued by market authorities, relating to banking and financial activities and with policies and instructions issued by the decision-making body;
(ii) Existence and effectiveness of procedures and processes aimed at avoiding or, where applicable, at resolving conflict of interest situation;
(iii) Approval, security and validation of completed transactions in light of existing policies, procedures and processes related to authorities, to segregation of duties and to independence of decision and reviews; and
(iv) Effective implementation of specific internal policies and procedures related to the identification, measurement, limitationand monitoring of all types of risk associated with activities and transactions carried out by the Institution.

5.3 The permanent controls shall be carried out, with appropriate qualitative and quantitative resources and supported by appropriate information systems, either by:

(i) Appropriate hierarchic level in the organization with clear control responsibilities that do not conflict with other operational responsibilities, or
(ii) Dedicated staff assigned exclusively to permanent control tasks and reporting directly or indirectly, but independently, to an independent Board member or equivalent; or
(iii) Staff in charge of operational responsibilities but which responsibilities are not conflicting with control missions clearly segregated from the operational tasks; or
(iv) Any combination of the three previous solutions deemed appropriate to the nature, complexity and volumes of risks involved by the daily operations and considering the organizational set-up of the Institution.

5.4 Periodic controls shall be carried out by Internal Audit that shall be independent from permanent control functions and from operational areas. In addition, Internal Audit shall not be in charge of missions that could result in conflict or interest situations that would or could hamper the independence of its assessments. The head of Internal Audit shall report to the chair of the Audit Committee.

5.5 Designation of head of Internal Audit and of head of the Compliance function should be request for prior approval from the National Bank of Cambodia. Such reports shall be accompanied by a CV of the position' holders and by a detailed description of education, professional background, experience acquired and other relevant document. The NBC might notify its objection to such designation within 15 working days from reception of the fully designation documents. The National Bank of Cambodia shall be directly entitled to liaise with head of Internal Audit and head of the compliance function and to forward its requests to them. Dismissal or removal of head of Internal Audit and of Head of Compliance shall be notified to the National Bank of Cambodia without delay; such decisions shall be duly motivated and clearly reported to the National Bank of Cambodia.

5.6 For Groups and financial conglomerates, the individuals in charge of Internal Audit and of Compliance at a consolidated level shall be subject to the reports foresee by paragraph 5.5 above. In addition, such reports shall be supported by organization charts, internal policies and procedures allowing for a clear understanding of the reporting lines and the relationships with the other officers in charge appointed in the different entities belonging to the group or to the conglomerate.

CHAPTER III

OUTSOURCED ACTIVITIES AND SERVICES

Article 6: Outsourced activities other than Internal Audit

6.1 Outsourced activities defined in article 3 of the present Prakas shall:

(i) Be subject to compliance checks ensuring that such outsourcing is not prohibited by any legal or regulatory provision or by a Board's policy;
(ii) Be subject of a written agreement between the outside service provider and the institution;
(iii) Be performed within the framework of a formal policy for controlling outside service providers framed by the outsourcing institution.

6.2 In their relations with their outside providers, institutions shall ensure that the providers:

(a) Commit to a level of quality that corresponds to normal operation of the service and, should an incident occur, leads to use contingency procedures and mechanisms aimed at resuming service provision within to the institution acceptable delay;
(b) Implement emergency mechanisms in the event of serious difficulty affecting continuity of service, or ensure that their own continuity plan takes account of a scenario in which its is impossible for the outside service provider to resume service provision to the institution;
(c) Are not able to impose a substantial modification of the service they provide without the outsourcing institution's prior consent and under a reasonable delay that would be require to take alternative measures;
(d) Comply with the procedures defined by the institution related to the organization and implementation of control of the services they provide;
(e) Allow them access, whenever necessary, on-site where relevant, to all information about the services provided to them, in compliance with disclosure requirements established;
(f) Report to them regularly on the way in which the outsourced activities are performed and on their financial condition; and
(g) Give access to the National Bank of Cambodia's on-site examination team to any information deemed necessary for the performance of its assignment, including, where and when required, controls and interviews on-site at the service provider's operations premises.

6.3 Based on its risk-assessments, Internal Audit shall perform periodic audit reviews focusing on or encompassing outsourced activities and services. The frequency of such audit reviews shall be commensurate to the risks involved for the institution. Notably, compliance with the provision set forth above shall be specifically assessed as well as existence, consistency and effectiveness of emergency mechanisms and contingency planning.

Article 7: Outsourcing of Internal Audit

7.1 For smaller institutions that belong to banking or a financial group, the Board might consider outsourcing Internal Audit under its responsibility. However, Internal Audit shall neither be outsourced to the firm in charge of External Audit nor to an affiliate of such firm.

Prior to outsourcing Internal Audit to specialize firm or to a parent's company audit department the institutions shall require the National Bank of Cambodia's authority. Such request shall be supported by all required and useful information and data deemed necessary in order to make a knowledgeable decision.

7.2 When deciding upon outsourcing Internal Audit, Board member in charge shall ensure that:

a) Service provided will be appropriate in light of the institution's activities, organization and business complexity;
b) Audit reviews performed will be carried out in accordance with the best market standards and by professionals with the required education, skills and experience;

c) allocated budget will be sufficient to comply with all the principles set forth in this Prakas, notably to ensure for effective independence of audit reviews, assessments and recommendations, and
d) That the availabilities of the service provider will be sufficient to cover all functional and operational areas, in accordance with a comprehensive audit planning that covers all the risk areas as required by the identified priorities and by the provisions set forth in this Prakas on the comprehensive audit cycle and coverage.

7.3 In addition, all requirements set forth in article 6, above, related to outsourced activities shall be strictly complied with since Internal Audit shall be considered as an essential activity in the sense of the definition provided in article 3. Notably, alternative solution(s) shall be considered by adequate contingency planning to percent from any disruption or delays in the fulfillment of the audit planning under the responsibility of the independent Board member in charge.

CHAPTER IV

COMPLIANCE

Article 8: Appointment and responsibilities of Compliance Officer

8.1 The organization of the Compliance function shall be approved by the Board and appropriate to support effective fulfillment of missions and responsibilities in light of size, complexity, network, participations of organization and risks involved by business carried out. The compliance function shall be placed under a responsibility of a Compliance Officer who is not involved in business operations to prevent from potential conflicts of interests. The Compliance Officer shall report to an independent Board member in charge.

8.2 The designation, dismissal, removal or resignation of the Compliance Officer shall be reported to the National Bank of Cambodia, under the conditions set forth in article 5, paragraphs 5.5 and 5.6.

8.3 Manager and staff in charge of permanent controls related to AML/CFT and to "Know Your Customer" shall be placed under the direct authority of the Compliance Officer. Depending on the organization of the overall Compliance function, policies and procedures shall fully support the Compliance officer's cooperation with other individuals and areas involved in Compliance controls, such as, but not limited to, Finance and Reporting, Accounting and Legal Departments. The "whistle blowing" procedure foreseen in article 11 shall systematically lead to involve the Compliance Officer.

Article 9: Compliance control system

9-1 The Compliance control system shall be established and organized in accordance with policies to be approved by the Board, and supported by appropriate and effective procedures and processes under the responsibility of the Compliance Officer referred to in article 8.

9.2 Institutions shall provide all staff members involved in compliance controls with adequate training in procedures for controlling compliance, adapted to the operations and controls they perform.

9.3 The Compliance control system and procedures shall be designed to prevent from non-compliance risk as defined in article 3 and to address swiftly any potential compliance issue or concern. With regard to this general objective, institutions shall notably establish procedures and processes for assessing compliance, including:

- Procedures for systematic prior approval, including a written notice from the compliance officer or a person duly authorized by the compliance officer for this purpose, for new products, activities, undertakings or material changes to existing products and services; and
- procedures for controlling completed transactions

9.4 Institutions shall establish, as part of the compliance control system, a monitoring system operating on a regular basis and as often as possible of any changes to the rules and regulations applying to their operations and, in that context, aimed at immediately informing all staff members concerned.

CHAPTER V

CONFLICT OF INTEREST: PREVENTION AND RESOLUTION

Article 10: Prevention procedures and mechanisms

10.1 Institutions shall establish procedures and mechanism aimed at preventing conflict of interest situations. Such procedures and mechanisms shall notably rely on clrearly estahblished rules and principles such as, independence of controls, segregation of duties, adequate delegations and accountability, reconcilation processes or refraining from establishing negative incentives in the form of bonuses that cont prove detrimental to prudent risk selection and management, position taking, control over asset quality, liquidity and solvency condition.

10.2 Policies aimed at preventing from potential conflict of interest situations shall be approved by Board and periodically reassessed. When necessary, such policies shall be reviewed and improved in light of such periodic assessments.

10.3 The Compliance function shall ensure that policies and procedures are effectively complied with and bring any observed breach or issue to the independent Board member's attention, in writing. The underlying facts shall be documented and corrective actions recommended. Implementation of corrective actions required shall be considered without delay.

Article 11: "Whistle Blowing" procedure

11.1 Institutions shall establish " Whistle Blowing" procedures that meet the definition set forth in article 3. Such procedures shall involve the Compliance Officer who shall handle the reports confidentially, inform the independent Board member and take appropriate action to resolve the issue.

11.2 The "Whistle Blowing" procedure and processes shall be made known to staff. In addition, staff shall be clearly informed that activation of such procedure is protective but requires acting in good faith.

CHAPTER VI

INTERNAL AUDIT

Article 12: Organization of Internal Audit

12.1 Internal Audit shall be placed under the responsibility of an Internal Auditor appointed in accordance with the provisions and requirements set forth in article 5, paragraphs 5.5 and 5.6. Head of Internal Audit shall be fully independent, report to an independent Board member and shall not be in charge of any permanent controls or operational tasks. Notably, Head of Internal Audit shall not be in charge of the Compliance function; therefore, Head of Internal Audit shall not be in charge of the compliance function; therefore, Head of Internal Audit cannot be simultaneously the institution's Compliance Officer.

12.2 Where Internal Audit is outsourced the conditions under which such outsourcing is performed shall comply with the requirements established in article 7, and the principles set forth under this Chapter.

12.3 The Internal Audit function shall be appropriately staffed, both numerically and qualitatively by considering size and complexity of business and organization. Where applicable and appropriate, reporting lines, performance appraisals, staffing, training and audit methodologies and procedures shall be considered at a group's level.

Article 13: Objectives of the Internal Audit Function

13.1 Internal Audit's mission is to carry out periodic and comprehensive audit reviews and investigations aimed at providing the Board and management with documented assessments and recommendation on:

- the effectiveness of risk identification, measurement, monitoring, management, limitation and, where applicable, mitigation procedures and processes;
- the effectiveness of the internal control procedures and processes and appropriateness of processes established to prevent from conflict of interest situations or, when applicable, to resolve them in a prudent manner; and
- the adequacy and effectiveness of Compliance controls and the full adherence to the policies issued by the Board.

13.2 The audit reviews shall be planned on a yearly basis and prioritized in light of the risk assessments performed by Internal Audit. The risk areas and priorities shall be documented and supported by an appropriate risk assessment methodology that shall be presented to and approved upon by the Board or by the Audit Committee. The audit review shall be planned and carried out during an audit cycle that shall be as short as possible and allow for the coverage of all risk areas identified in the organization. Over an audit cycle, no risk area shall remain unaudited. In addition, highly risky areas shall be audited several times over a complete audit cycle.

13.3 All material audit issues and concerns shall be clearly documented and accompanied by recommendations to Board and management aimed at addressing them effectively and

without undue delays. Effective implementation of recommended corrective actions shall be subject to a tracking mechanism and supported, where demand appropriate, by follow up mission aimed at assessing effectiveness of such corrective actions. Pending audit recommendations shall be periodically, and at least twice a year, reported to independent Board member whom the Internal Auditor reports to and, at Audit Committee's chair request, to the Audit Committee members.

Article 14: Audit Resources, methodologies and procedures

14.1 Internal Audit shall be adequately staffed to carry out the audit cycle effectively. Internal Auditor shall also be provided with a budget, which under his /her responsibility, shall allow for covering all expenses related to specific audit training, business travels and outsourcing incurred by its missions.

14.2 Adequacy of staffing and specialized audit profiles shall be periodically assessed in light of business growth, complexity and volumes of transactions, corporate structure and organization, technologies implemented and subsequent risks involved. Such assessments shall be formalized and provided to the independent Board member.

14.3 Risk assessments and audit reviews shall be performed in accordance to the prevailing professional standards and shall, where appropriate, be reviewed in light of best practices. Such assessments and reviews shall be supported by written audit methodologies, procedures and manuals. Access to such documents and methodologies shall be granted, at request, to Board, Audit Committee members, External Auditors and Banking Supervisory Authority.

CHAPTER VII

RISK MANAGEMENT POLICIES, PROCEDURES AND PROCESSES

Article 15: Responsibilities of the Board and of management

15.1 The Board shall establish risk management policies addressing the different material types of risks incurred by the activities, complexity and size of the organization. Permanent adherence to these policies shall be part of the controls carried out by the Compliance function. These policies shall be part of the institution's documentation system addressed under Chapter X.

15.2 Management shall be responsible for the establishment of procedures and for the effective implementation of appropriate processes aimed at identifying, measuring, monitoring, limiting, management and, where applicable, mitigating the risks involved by the institution's operations and organization. Such procedures and processes shall be periodically assessed and reviewed in light of best practices, market developments and new undertakings. Adequacy of specific and applicable procedures and processes shall be systematically reassessed prior to undertaking new activities, new participations and offering new products and services to the customers and market counterparts.

Article 16 : Effectiveness of procedures, processes and management information systems

16.1 Procedures, processes and management information systems shall be designed and established in accordance with the principles set forth by the Board in the relevant policies. Such procedures, processes and information systems shall be subject to compliance

assessments and, where required, reviewed subsequently.

16.2 To be effective, risk management procedures, processes and information systems shall:

a) Allow for risk identification and accurate measurement or evaluation;

b) support decision making in light of sensitivity of such risks carried by the institution notably, but not limited, to adverse market developments, deterioration of debtor's or counterparty's financial condition, and more generally, attention required by prudent management objectives;

c) Allow for consolidation of such risks in order to identify, monitor and effectively manage risk concentration issues;

d) Be designed and implemented in a way that fully supports responsibilities and accountability in light of authorities, delegations and limits applicable; and

e) Alerting hierarchic levels and Board of limit breaches or overstepped authorities and delegations in a way deemed appropriate to take prompt corrective actions when so required by circumstances.

16.3 Effectiveness and adequacy of risk management procedures, processes and information systems shall be periodically reassessed under the responsibility of senior management and, independently, by Internal Audit. Where applicable, such procedures, processes and information systems shall support effective risk management at a consolidated level.

16.4 Adequacy of risk management procedures, processes and information systems shall be systematically reassessed prior to undertaking new activities, new participations and offering new products and services to the customers and market counterparts.

16.5 Risk management procedures, processes and information systems' documentation shall be up to date and part of the documentation system referred to under Chapter X below.

CHAPTER VIII

ACCOUNTING AND INFORMATION SYSTEMS

Article 17: Compliance with legal and regulatory standards, documentation

17.1 Institutions shall comply with legal and regulatory standards applying to accounting, financial reporting and financial disclosure. Adequate controls shall be established in order to assess effective compliance with such standards. Where options can be considered, such options shall be discussed and approved upon by the Audit Committee in a prudential perspective, duly documented and strictly adhered to.

17.2 Institutions shall establish and maintain an adequate documentation on the charter of account implemented, on the accounting entries to be performed for recording transactions and events generating accounting entries and on the accounting information system implemented.

Article 18: Effective audit trail procedures and processes

18.1 Regarding the information disclosed in the balance sheet, off-balance sheet, income statement and notes to financial statements, the organization of the accounting processes shall foresee a set of procedures and processes, known as audit trail, making it possible to:

a) Reconstruct operations in chronological order;

b) Support all information with original documents from which it must be possible to trace an operation directly back to the summary document, and vice versa;

c) Account for changes in balances from one closing date to the next one, by preserving effective records of movements that affect such accounting balances.

18.2 Effectiveness of audit trail shall be periodically tested and assessed.

Article 19: Inventories of assets held by initiations on behalf of customers and third parties

19.1 Institutions shall establish procedures and keep accurate records showing inventories, inflows and outflows of assets held on behalf of customers and third parties that are not their properties and, therefore, not included in their individual accounts and reports.

19.2 With regards to such assets, a distinction shall be made between assets held on deposit and assets held as collateral for a commitment given for a specific purpose or by virtue of a standing agreement in favor of the depositors.

Article 20: Independent controls, segregation of duties and periodic reconciliations

20.1 Institutions shall implement procedures and processes supporting effectively segregation of duties, independent controls and periodic reconciliations aimed at safeguarding their assets and at identifying rapidly any significant discrepancy.

20.2 Such procedures and processes shall notably establish a clear segregation of duties and functions involving institution’s commitments, paying away funds and accounting for the institution’s assets and liabilities. Such processes shall be periodically reconciled and reassessed.

20.3 Such procedures and processes shall notably foresee control lists, reconciliation of accounts, checks and balances (dual controls, independent validation of accounting entries, double signature or any equivalent built-in in process supported the accounting system), exhaustive review of assets accounted for in inventories and information to be provided to management on the results. Any discrepancy shall be swiftly investigated, documented and prudently addressed. Where required, impacts of such discrepancies shall be immediately taken into consideration for their consequences on reported income and net worth that shall be corrected consequently.

CHAPTER IX

RISK AND RESULT MEASURING SYSTEMS AND CONTROLS

Article 21: Effectiveness of risk and result measuring systems and controls

21.1 Institutions shall establish risk analysis and risk measurement systems that are suited to the nature and volumes of their transactions as well as to the complexity of their activities. Such systems shall allow for timely and reliable assessment of the different types of risk they are exposed to, in particular credit risk, liquidity risk, overall interest rate risk and settlement risk.

21.2 Where applicable, such systems shall be designed and established to support consolidated risk analysis and measurement at a consolidated level. Such systems shall notably allow for an appropriate identification and monitoring of risk concentration and for supporting timely and effective risk management decision making.

21.3 Such systems and supporting procedures shall be subject to regular internal reviews aimed at ensuring that they remain comprehensive and proportionate to the nature, scale and complexity of activities carried out, organization and corporate structures involved.

Article 22: Permanent control processes to ensure compliance with regulatory requirements or limitations

The risk and result measuring systems and controls established by institutions shall allow for permanent monitoring for regulatory requirements or limitations. Any identified breach shall be immediately addressed and reported to the Head of Compliance. Such reports shall document the origins of the breach and the corrective actions implemented to address the non compliance risk involved. Such corrective actions shall also aim at preventing from repeated breaches and at reviewing the existing controls if assessed inappropriate or ineffective.

CHAPTER X

DOCUMENTATION SYSTEM

Article 23: Policies, procedures, authorities, delegations and reports

23.1 Institutions shall formalize and regularly reassess and update their policies, procedures, authorities and delegations, organization, information system, activities, corporate governance and corporate structure, if consolidated or consolidating entry.

23.2 Authorities and delegations shall be clearly documented and made available to all parties involved, beneficiaries, risk management and control functions, including compliance. The information system of the institution and, where applicable, of the group, shall allow for ensuring that all interested parties be clearly informed of such internal decision making rules. There shall also be adequate control processes established in order to ensure that authorities and delegations are not overstepped or misused.

23.3 Policies and procedures shall be made available to management and staff in writing; where required, implementation of such policies and procedures shall be supported by appropriate training. Such policies and procedures shall undergo compliance checks prior to their insurance and effective implementation. Such policies and procedures shall clearly

address the processes implemented with the aim of ensuring for segregation of duties, independence of controls and prevention or resolution of potential conflicts of interests.

23.4 Institutions shall notably establish, under the conditions set forth in paragraphs 23.1 to 23.3 above, and regularly assess and update documents aimed at supporting the effective operations of the overall internal control system in line with the policies established by the Board in these matters. Such documents that should be made available to all parties involved shall notably include:

a) a description of the various levels or responsibility,

b) a presentation of the functions and positions established as well as the resources allocated to such functions and positions,

c) a discussion of the reporting lines and mechanism aimed at ensuring independence, absence of conflict or interest situations and effectiveness,

d) a description of the risk measurement systems and processes. Where applicable, specific risk measurement methodologies, such as, but not limited to, statistical risk measures, replacement cost, mark-to-market, shall be documented and approved independently from business operations,

e) a description of risk monitoring systems implemented for the surveillance of the risk described under article 3 of this Prakas, of the corresponding control systems, of the required corrective actions, if any, an alerts to be immediately brought to the Board's attention.

Article 24: Organization of information and documentation system

24.1 The institution's information system shall ensure that any significant decision or significant matter related to business, operations and organization be duly documented in a way that effectively supports tracking and facilitates access.

24.2 The institution's information system shall also support appropriate information dissemination system throughout the organization. Such dissemination shall notably be paid particular care to for matters related to internal control issues and, more specifically, to compliance requirements and provisions.

24.3 The contingency plans and related procedures shall be part of the institution's documentation system. Where applicable, such contingency plans and procedures shall be clearly articulated with the ones established on a group's level and with the procedures referred to in article 6, paragraph 6.3, for outsourced activities and services.

24.4 All policies, procedures, authorities, delegations, reports and minutes shall be made available, at their request, to Internal Audit, compliance, Banking Supervision and External Auditors for the purposes of their missions.

Article 25: Annual report on the organization and effectiveness of the Internal Control System

25.1 Institutions shall establish an annual report that describes the organization of the Internal Control System and the corresponding policies, procedures and mechanism. Such

report shall also assess the effectiveness of the Internal Control System in light of business growth and diversification and of changes occurred in the institution.

25.2 Where applicable, such report shall also discuss the articulation of such internal controls with the policies and organization established at a consolidated level.

25.3 The report shall be established under the responsibility of an independent Board member and shall be discussed by Audit Committee. Where deemed appropriate or necessary, corrective actions or improvements should be recommended to the Board.

25.4 The annual report shall be issued, under the signature of the independent Board member in charge, to the National Bank of Cambodia, no later than March 31 of the following year.

CHAPTER XI

CONTIGENCY PLAN AND TESTING

Article 26: Requirement for contingency planning

26.1 Institutions are required to perform periodic risk assessments in order to identify material risk exposures, risk concentration issues, significant sensitivity to adverse events and developments that could result in severe disruptions, such as failures to pay or to deliver timely for the fulfillment of their obligations, major compliance issues or systems' breakdown.

26.2 Such periodic assessments shall lead to establish emergency management and decision making processes aimed at dealing with crisis situations, notably by addressing plausible adverse scenarios that might have to be coped with under tight time constraints. The policies addressing crisis situations, contingency planning and testing, communication to the authorities and to the public shall be approved by the Board and implemented under the responsibility of clearly designated Board member (s)

26.3 Institutions are required to establish a Business Continuity Plan as defined in article 3 above that is commensurate to the risk identified on help of the periodic assessments referred to in paragraph 26.2, above. At a minimum, such Business Continuity Planning and procedures shall address contingency funding and emergency liquidity management as well as back-up solutions and processes aimed at coping with Information Technologies' failures.

26.4 Contingency plans and processes shall be periodically reassessed in light of business and market developments, complexity of organization and technologies involved, adequacy of downgraded substitution procedures and processes, minimum requirements for effectiveness of daily risk management and control and, more generally, by considering the impacts of potential foreseeable contingencies in terms of compliance and reputation risks.

CHAPTER XII

SANCTIONS, INCREASED SOLVENCY REQUIREMENTS

Article 27: Sanctions in case of non-compliance or ineffective Internal Controls

Non Compliance with and violations of the provisions set forth in this Prakas shall lead the National Bank of Cambodia to issue sanctions against the contravening institutions, according to its powers and the principles established in the Law on Banking and Financial Institutions. In addition, Such violations and insufficiencies and their potential impacts on the overall Institution's risk profile assessment shall be taken into consideration by the Banking Supervisory Authority at both individual and consolidated levels.

Article 28: Increased Solvency requirements

28.1 Due to severe insufficiencies in Risk Management processes or , more generally, in their Internal Control Systems, the National Bank of Cambodia might consider increased solvency requirements against those institutions that present a higher risk profile due to such insufficiencies.

28.2 Increased solvency requirement shall notably be issued against Institutions that did not implement the required corrective actions after a supervisory injunction.

28.3 Increased solvency requirements shall not exceed thirty (30) percent of the minimum solvency ratio and shall not be lifted without the Supervisory Authority being fully satisfied with the effectiveness of the corrective actions implemented. At the current regulatory minimum solvency level of 15% (fifteen percent), the maximum solvency requirements would be 19.5% (nineteen pint five percent).

28.4 Increased solvency requirements shall be notified in writing to the contravening Institution as well as the lifting of such prudential supervisory measure.

CHAPTER XIII

TRANSITIONAL PROVISIONS

Article 29: Effective Implementation of the present Prakas

Banking and financial Institutions shall fully comply with the provisions and requirements set forth in the Prakas no later than 1 July 2011. Effective implementation shall be supported by the performance of an overall assessment of the Institutions' exiting Internal Control Systems and by the identification of steps to be taken in order to achieve compliance.

Article 30: Assessment and Action Plan

30.1 Based on the required assessment, Banking and Financial Institutions shall identify the areas such as policies, procedures, processes, organizational framework, management information system etc., where actions need to be taken to comply with the regulatory provisions set forth in this Prakas and establish an action plan detailed the steps to taken and the additional means to be allocated to do so

30.2 Where applicable, the action plan shall address the actions to be taken to comply at a consolidated level.

30.3 The action plan will be detailed and supported by flow-charts, organization charts, job descriptions, committees' terms of reference, policies and procedures as well as budgetary elements aimed at supporting its effective implementation no later than 31 March 2010.

30.4 A copy of the action plan and evidence documents mentioned under paragraph 30.3 or any other additional information material deemed useful to the National Bank of Cambodia, no later than 31 March 2010. Late transmission of such action plan shall be subject to sanctions.

CHAPTER XIV

FINAL PROVISIONS

Article 31:

The General Directorate, the General Secretariat, the General Inspection, the General Cahier, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 32:

The present Prakas shall take effect from this signing date.

Phnom Penh, 28 September 2010

The Governor

Signed and sealed**: Chea Chanto**

B7-010-002 CL

Phnom Penh, 29 December 2010

CIRCULAR
ON
THE SELECTION OF INDEPENDENT AUDITORS FOR ANNUAL AUDIT OF BANKS AND FINANCIAL INSTITUTIONS

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In order to implement the Law on Banking and Financial Institutions promulgated by the Royal Kram NS/RKM/1199/13 of November 18, 1999 and Prakas No 7-04-204 Prakor on Publication of Annual Audit of Financial Statements of Banks and Financial Institutions, dated 29 December 2004 and to show transparency of financial statement of bank and financial institutions.

The National Bank of Cambodia decides

1- All bank and financial institutions must select an independent auditor licensed by the National Bank of Cambodia to audit their annual financial report.
2- All bank and financial institutions must notify the name of the selected independent auditors or their audit partners to the National Bank of Cambodia by December 31 of each calendar year.
3- Banks and financial institutions must change their independent auditors every three years.
4- Bank and financial institutions as branches or subsidiaries of foreign bank may select as the same Independent auditors as their head office provided that audit partners are changed every three years. This practice disregards the change or time limit as stated in point 3 of this circular.
5- The National Bank of Cambodia reserves rights to reject the independent auditors or audit partners advised by bank and financial institutions with no reason.
6- Circular No 7-05-001 CL dated 15 June 2005 on the selection of Independent Auditors for bank and financial institutions shall be repealed.

This circular shall have effect from the signing date.

The Governor

Signed and Sealed: **Chea Chanto**

B 7-08-089 Prokor

PRAKAS
ON
ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

****

Article 1 - Scope

For the purposes of the present Prakas the term 'banks and financial institutions" shall apply to the following institutions and professions, when they are regulated by the National Bank of Cambodia and referred to as "reporting entities" in the *Law on Anti-Money Laundering and Combating the Financing of Terrorism*:

a) banks, including branches of foreign banks;
b) micro-finance institutions;
c) credit cooperatives;
d) leasing companies;
e) exchange offices/moneychangers;
f) money remittance services;
g) dealers in precious metals, stones and gems;
h) Any other institution or profession that is designated by the Financial Intelligence Unit to fall within the scope of the *Law on Anti-Money Laundering and Combating the Financing of Terrorism* and is supervised by the National Bank of Cambodia.

Article 2 – Customer Acceptance Policy

Banks and financial institutions should develop customer acceptance policies and procedures and should have reasonable measures, including risk profile, in their internal policy and procedures to address different risks posed by each type of customer or by each individual customer.

Article 3 – Risk Profiling

3.1 In creating the risk profile of a type of customer or an individual customer, banks and financial institutions should at least take into consideration the following factors:

- the origin of the customer and location of business;
- background and personal particulars of the customer
- nature of the customer's business;
- structure of ownership for a corporate customer; and
- any other information indicating the customer is of higher risk

3.2 Following the initial acceptance of the customer, banks and financial institutions should continuously monitor the customer's account activity pattern to ensure it is in line with the customer profile. Unjustified and unreasonable differences should cause banks and financial institutions to reassess the customer as higher risk.

Article 4 – Prohibition of Anonymous Account and Accounts in Fictitious Names

Banks and financial institutions should ensure that an account is opened and maintained in the name of the account holder at all times. In addition, banks and financial institutions should establish customer identity as outlined in articles 6 and 7 of the present Prakas and ensure that no customer is allowed to open or operate an anonymous account or an account in a fictitious, false or incorrect name.

Article 5 – Customer Due Diligence

5.1 Banks and financial institutions must conduct customer due diligence and obtain satisfactory evidence and properly establish in its records the identity and legal existence of persons applying to do business with them. Such evidence must be substantiated by reliable documents.

5.2 The customer due diligence should be conducted, when:

- establishing business relationship with the customer such as opening an account, granting a safe deposit facility or engaging in any other business dealings;
- carrying out an occasional or one off transaction, that involves a sum in excess of USD 10,000 (or 40 million Riels or foreign currency equivalent) or wire-transfer in excess of USD 1,000 (or 4 million Riels or foreign currency equivalent).
- banks and financial institutions have any suspicion of money laundering or financing of terrorism; or
- banks and financial institutions have any doubts about the veracity or adequacy of previously obtained information.

5.3 The customer due diligence undertaken by banks and financial institutions should at least comprise the following:

- identify the customer and verify the identity of the customer using reliable, independent source documents, data or information referred to in articles 6 or 7;
- determine if the customer conducting business is acting on behalf of another person or beneficial owner;
- understanding the beneficial ownership and control structure of the customer. Beneficial owner is defined in article 8;
- obtain information on the purpose and intended nature of the business relationship;
- conduct on-going due diligence and scrutiny, to ensure the information provided is updated and relevant and ensure that the transactions being conducted are consistent with the bank's or financial institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

5.4 Unwillingness of the customer to provide the information requested and to cooperate with banks and financial institutions' customer due diligence process may itself be a factor of suspicion.

5.5 Banks and financial institutions should not open the account, commence business relations or perform transaction, or in the case of existing business relations with customers, it should terminate such business relations if the customer fails to comply with the customer due diligence requirements. Such situation warrants a suspicious transaction report to be submitted to the Financial Intelligence Unit.

Article 6 - Individual Customers

6.1 In establishing a business relationship with an individual customer, banks and financial institutions should obtain from the individual customer at least the full name, date of birth, identity card/passport number/identity document reference number, occupation/business, address and nationality.

6.2 Banks and financial institutions should require the individual to furnish the original and make copies of one or more of the following documents:

- National identity card;
- Passport; or
- Identity documents preferably bearing a photograph of the customer, issued by an official authority.

Article 7 - Corporate Customers

7.1 In establishing a business relationship with a corporate customer, banks and financial institutions should require the company/business to furnish the original and make copies of at least the following documents:

- Memorandum/Article/Certificate of Incorporation/Partnership
- Identification document of Directors/Shareholders/Partners
- Board of Directors'/Directors' Resolution
- Authorization for any person to represent the company/business
- Authorization or permit to conduct business

7.2 In addition, banks and financial institutions should conduct a basic search or enquiry on the background of such company/business to ensure that it has not been, or is not in the process of being, dissolved or wound-up.

7.3 The identity of all account signatories shall be verified according to customer due diligence for individual customers. When signatories change, care should be taken to ensure that the identity of all current signatories has been verified.

7.4 To verify the information provided, banks and financial institutions should check with the Registry of Companies/Businesses on the authenticity of the information provided on the identity of the company/business and its directors, owners, shareholders and office bearers.

7.5 Where the customer or the owner of the controlling interest is a public company that is subject to regulatory disclosure requirements i.e. a public company listed on a recognized stock exchange, it is not necessary to seek to identify and verify the identity of the shareholders of that public company.

7.6 Banks and financial institutions should also understand the ownership and control structure of corporate customers and determine the source of funds of the company/business. This will assist banks and financial institutions in ascertaining any suspicion concerning the changes to the ownership or control structure and in developing the customer profile and expected activity through the company/business account.

Article 8 - Beneficial Owner

Banks and financial institutions should conduct customer due diligence as stringent as the one imposed on individual customer when they suspect a transaction is conducted on behalf of a beneficial owner and not the customer who is conducting such transaction. Beneficial owner is the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

Article 9 – Non-Government Organization and Foundation

9.1 Banks and financial institutions should require a Non-Government Organization or foundation establishing business relationship to furnish the constitution documents or other similar documents to ensure that it is properly constituted and registered.

9.2 The identity of all account signatories shall be verified according to customer due diligence for individual customers. When signatories change, care should be taken to ensure that the identity of all current signatories has been verified.

9.3 Banks and financial institutions should take steps to understand who is in control and makes decisions regarding the Non-Government Organization/foundation, and the use of the funds.

Article 10 - Trust and Nominee Accounts

10.1 Banks and financial institutions need to establish whether the customer is acting on behalf of another person as trustee, nominee or agent.

10.2 Banks and financial institutions should take reasonable measures to understand the ownership and control structures and the relationship among the relevant parties in handling a trust or nominee account and obtain evidence of the identity of the settler, trustee, nominee, authorized signatories, persons exercising effective control and the beneficiaries.

10.3 Banks and financial institutions should ensure customers due diligence requirements are completed for beneficial owners, when the trust or nominee account is established.

10.4 Banks and financial institutions require a written assurance from the trust or nominee that evidence of the identity of the beneficiaries has been obtained, recorded and retained, and that the trust or nominee is satisfied regarding the source of funds. In addition, identification information must be immediately available to banks and financial institutions upon request.

Article 11 - Client Accounts

Banks and financial institutions should satisfy themselves about transactions passing through lawyers and accountants clients' accounts that give cause for concern, and should report those transactions to Financial Intelligence Unit, if any suspicion is aroused.

Article 12 - Shell Companies

Banks and financial institutions should not open an account for or conduct business with a shell company, which do not conduct any commercial activities or have any form of commercial presence in the country but are legal entities through which financial transactions may be conducted.

Article 13 - Reliance on Intermediaries or Other third Parties for CDD or Introduced Business

13.1 Banks and financial institutions should be wary and ensure that they do not fall complacent and completely rely on the customer due diligence conducted by the intermediaries or other third parties they use. The ultimate responsibility of customer due diligence always remains with banks and financial institutions.

13.2 Banks and financial institutions must be satisfied that the introducing intermediary:

- ❖ has carried out customer due diligence by identifying the customer and verify that identity using reliable, independent source documents, data or information;
- ❖ has identified the beneficial owner and in respect of corporate customers understands the ownership and control structure of the customer;
- ❖ understands the purpose and nature of the business relationship;
- ❖ has put in place a system to provide the bank or financial institution with access to the identification documents, data or information upon request and without delay;
- ❖ allows periodic review by banks and financial institutions to verify the due diligence undertaken; and
- ❖ is properly regulated and supervised for AML/CFT purposes by the respective authority.

Article 14 – Non Face-to-Face Customers

14.1 Banks and financial institutions should pay special attention in establishing and conducting non-face-to-face business relationships and undertake customer due diligence through face-to-face interaction, or through an intermediary as required by article 13 of the present Prakas, prior to establishing such business relationships with their customers.

14.2 Banks and financial institutions are also required to implement monitoring and reporting mechanisms to identify potential money laundering and financing of terrorism activities.

Article 15 - Correspondent Banking

15.1 Banks and financial institutions should take the necessary measure to ensure that they are not exposed to the threat of money laundering and financing of terrorism through correspondent accounts they have with other banks and financial institutions.

15.2 Banks and financial institutions entering a correspondent relationship should gather and assess at least the following information on the correspondent banks and financial institutions;

- ❖ board of director and management;
- ❖ business activities and products;
- ❖ subjected legislations, regulation and supervision;
- ❖ AML/CFT measures and controls; and
- ❖ annual reports.

15.3 Banks and financial institutions should establish or continue a correspondent banking relationship with the correspondent banks and financial institutions only if it is satisfied with the assessment of the information gathered.

15.4 Banks and financial institutions should also document the responsibilities of the respective parties in relation to the correspondent banking relationship.

15.5 The decision and approval to establish or continue a correspondent banking relationship should be made at the Senior Management level.

15.6 Banks and financial institutions, should ensure that such correspondent banking relationship do not include correspondent banks and financial institutions that have no physical presence and which is unaffiliated with a regulated financial group.

15.7 Banks and financial institutions should exercise enhanced due diligence with respect to correspondent banks and financial institutions which allow direct use of the correspondent account by their customers to transact business on their own behalf such as payable–through accounts. Banks and financial institutions should implement customer due diligence for such customers as required for intermediaries introducing business.

15.8 Banks and financial institutions should pay special attention to correspondent banking relationship with correspondent banks and financial institutions from countries which have insufficiently implemented the internationally accepted AML/CFT measures. Enhanced due diligence is needed to assess the money laundering and financing of terrorism risks.

Article 16 - Remittance / Wire Transfer

16.1 Banks and financial institutions conducting or participating in an outgoing remittance/wire transfer transaction should include with it the necessary originator's name, address, account number, identification number or customer reference number and the details of the transaction.

16.2 Banks and financial institutions facilitating or acting as intermediary to a remittance/wire transfer transaction should ensure such originators information is still retained with remittance/wire transfer message.

16.3 Banks and financial institutions receiving a remittance/wire transfer message with incomplete originators information should conduct enhanced due diligence and may consider it as a factor of suspicion.

16.4 It is not necessary to include all the above information in the message accompanying a remittance/wire transfer transaction of less than USD 1,000/Riel 4 Million or its equivalent in any other currencies.

16.5 Banks and financial institutions should pay attention to wire transfers by higher

risk customers and consider such factors as the name of the beneficiary, the destination and amount of the remittance/wire transfer. The customer should be asked to provide further explanation of the nature of any remittance/wire transfer which is inconsistent with the customer's usual business/activity.

Article 17 - Politically Exposed Persons (PEPs)

17.1 Banks and financial institutions should check current and new customers to determine whether they are Politically Exposed Persons, as defined in article 3 of the Law on Anti-Money Laundering and Combating the Financing of Terrorism, as part of the customer due diligence process. Banks and financial institutions should gather sufficient information from the said customer and research further data or information to determine the level of AML/CFT risk.

17.2 Once a PEP is identified, banks and financial institutions should take reasonable measures to establish the source of wealth and funds of such persons.

17.3 The decisions to enter into or continue business relationships with these PEPs should be made by the senior management of banks and financial institutions.

17.4 Banks and financial institutions should develop a risk profile of each PEP based on information collected from the customer and obtained through independent research and understand the full nature of the business relationship and transaction activity. There should be on-going monitoring of the relationship and activity against the risk profile and any concerns arising from the monitoring process should be reported to senior management and, if appropriate, also reported to the Financial Intelligence Unit.

Article 18 - Private Banking

18.1 Private banking businesses are provided to high net worth customers and very important people and its exclusive, confidential and private nature gives rise to the possibility of abuse by money launderers and financiers of terrorism.

18.2 Banks and financial institutions should give special attention to customers of private banking business. The identification and verification procedures should be more stringent than normal identification procedures. In particular, additional verification measures should be implemented regarding identification of customer, nature of business and source of funds.

18.3 All new and existing customers within the private banking service must undergo approval by senior management other than the manager of the private banking relationship who processes and recommends the application.

18.4 The compliance officers and auditors must be allowed to audit and review the transactions of private banking customers.

Article 19 - Moneychangers

19.1 Banks and financial institutions must pay special attention to and ensure that the moneychangers who maintain accounts with them are licensed and only conduct legitimate currency exchange transactions. Banks and financial institutions should ensure that the nature and volume of transactions in the moneychangers account reflect the nature of their business.

19.2 If banks and financial institutions identify any discrepancies in the activities of the moneychangers account, they should submit a suspicious transaction report to the Financial Intelligence Unit.

Article 20 - Other Higher Risk Customers

20.1 Banks and financial institutions shall conduct enhanced customer due diligence for all categories of higher risk customers, including those high risk customers mentioned in articles 18 and 19 of the present Prakas, to ensure that banks and financial institutions are not abused by money launderers and financiers of terrorism.

20.2 Enhanced due diligence should include at least:

- ❖ more detailed information from the customer, in particular, on the purpose of the business relationship and source of funds;
- ❖ independent research and sourcing of additional information about the customer; and
- ❖ approval by senior management.

Article 21 - Existing Accounts

21.1 Banks and financial institutions should take necessary measures to ensure that the records of existing customers remain up-to-date and relevant. Further evidence of the identity of existing customers should, where necessary, be obtained to ensure compliance with customer due diligence standards set by the present Prakas.

21.2 Banks and financial institutions should conduct regular reviews on existing records of customers. These reviews should at least, be conducted when:

- ❖ a significant transaction is to take place;
- ❖ there is a material change in the way the account is operated;
- ❖ the customer's particulars change substantially; or
- ❖ information held on the customer is insufficient.

21.3 In the event that the circumstances above do not arise, banks and financial institutions should, based on risk assessment, obtain additional information in line with their current standards from those existing customers that are of higher risk.

Article 22 – Record keeping

22.1 Banks and financial institutions should keep all records, documents and copies of documents involved in all forms of transactions for at least 5 years after the date of the transaction. All identification data, files, records, documents, business correspondence and copies of documents obtained on a customer must be maintained for at least 5 years after the accounts have been closed or the business relations with the customer have ended.

22.2 Where the records are subjected to an on-going investigation or suspicious transaction report submitted, they shall be retained beyond the stipulated retention period until it is confirmed by the relevant authority that such records are no longer needed.

Article 23 – Audit Trail

23.1 Banks and financial institutions must ensure that the retained documents and records are able to create an audit trail on individual transactions that would enable the supervisory and enforcement agencies to trace funds.

23.2 The records kept must enable banks and financial institutions to establish the history and nature of and reconstruct each transaction. The records shall include at least:

- ❖ the origin of funds, such as method of receipt and or name of originator of wire transfer;
- ❖ the identity of the person undertaking the transaction if not an account holder;
- ❖ the type of transaction; and
- ❖ the instruction and the destination of fund transfers.

Article 24 – Record Format

Banks and financial institutions should retain the relevant document as originals or copies, on microfilm or in electronic form, provided that such forms are secured and retrievable upon request and provided in an accurate and timely manner

Article 25 – On-Going Monitoring

25.1 Banks and financial institutions should conduct on-going due diligence for all customer relationships, using a risk-based approach. The risk-based approach to on-going customer due diligence should ensure that the risk profile of the customer is up-to date.

25.2 Banks and financial institutions shall pay special attention to all complex, unusual large transactions, or unusual patterns of transactions, to determine whether the transactions have an apparent or visible or lawful purpose.

Article 26 – Management Information System

Banks and financial institutions should put in place an adequate management information system for identifying and detecting transactions that they suspect or have reasonable grounds to suspect related to proceeds from an unlawful activity or the customer is involved in money laundering or financing of terrorism. The management information systems should provide banks and financial institutions timely information on a regular basis to enable them to detect suspicious activity.

Article 27 – Special Attention

Banks and financial institutions should conduct on-going due diligence with regards to business relationships and transactions with individuals, business, company and financial institutions from countries which have insufficiently implemented the internationally accepted AML/CFT measures. Such business relationships and transactions should require banks and financial institutions to make further detailed inquiries, about their background and purpose, to establish the findings in writing, and to make them available to the competent authorities.

Article 28 – Cash Transaction Reporting

28.1 Banks and financial institutions are required to report to the Financial Intelligence Unit cash transactions exceeding USD 10,000 (or 40 million Riels or foreign currency equivalent).

28.2 Cash transactions shall be provided to the Financial Intelligence Unit, within 14 days of the date of the transaction and be submitted on the approved 'Cash Transaction Report' form issued by the Financial Intelligence Unit or using the approved format for electronic reporting. A copy of the approved Cash Transaction Report form is attached at Appendix IV.

28.3 Reportable cash transactions include multiple cash transactions for a customer / account where the total amount of the combined transactions exceeds USD 10,000 (or 40 million Riels or foreign currency equivalent) on any one day.

Article 29 – Suspicious Transaction Reporting

29.1 Banks and financial institutions are required to establish a reporting system and to promptly submit suspicious transaction reports to the Financial Intelligence Unit when any of its employees suspects or has reasonable grounds to suspect that the transaction involves proceeds of an offence or are related to money laundering or financing of terrorism or they have any other grounds of suspicion about a customer transaction. Some examples of suspicious transactions are listed in Appendix II of the present Prakas. These examples are not exhaustive and only provide examples of basic ways in which money may be laundered or used for the financing of terrorism. Banks and financial institutions should establish their own internal guidelines on suspicious transaction reporting incorporating the relevant provisions in the Law on Anti-Money Laundering and Combating the Financing of Terrorism and the relevant provisions in the present Prakas, including a list of suspicious transactions indicators.

29.2 Banks and financial institutions should also submit a suspicious transaction report when a new or existing customer fails to complete the customer due diligence without reasonable excuse, regardless of whether the bank or financial institutions accept, reject, continue or terminate the business relationship with such customer.

Article 30 - Reporting Mechanisms

30.1 Banks and financial institutions should appoint an officer at the senior management level to be the compliance officer responsible for the submission of suspicious transaction reports to the Financial Intelligence Unit. The appointed compliance officer should be the point of reference for the Financial Intelligence Unit. Banks and financial institutions should ensure that all suspicious transaction reports prepared by employees are properly channeled to the compliance officer.

30.2 The employees of banks and financial institutions should report suspicious transactions to the compliance officer even if they do not know precisely what the underlying unlawful activity is or whether such activities have occurred.

30.3 Once the suspicious transaction report reaches the compliance officer, the compliance officer should promptly evaluate and establish whether there are reasonable grounds for suspicion and promptly, within 24 hours, submit the suspicious transaction report to the Financial Intelligence Unit unless the compliance officer considers, and records his/her opinion, that such reasonable grounds do not exist.

30.4 The suspicious transaction report submitted by the compliance officer shall be in writing and using the approved form as attached in Appendix III and delivered by safe hand, secure mail or secure electronic transmission to Financial Intelligence Unit.

30.5 Banks and financial institutions should ensure that when preparing and submitting a suspicious transaction report, information about the suspicious transaction, the customer and the reporting of the matter remains confidential and is available only to staff, on a strict 'need to know' basis.

30.6 Banks and financial institutions should authorize their compliance officer to cooperate with the Financial Intelligence Unit in providing additional information and documentation requested and to address further enquiries with regard to the submitted suspicious transaction report.

Article 31 - Prohibition of Tipping Off

31.1 Banks and financial institutions must ensure that the reporting system put in place for the submission of suspicious transaction reports is operated in a confidential manner.

31.2 Banks and financial institutions must ensure that the customer reported on, is not informed of the existence of the suspicious transaction report or does not become aware of such suspicious transaction report. Staff should be made aware that article 15 of the Law on Anti-Money Laundering and Combating the Financing of Terrorism prohibits any individual having knowledge of a suspicious transaction report from communicating such information or reports to any natural or legal persons other than the FIU, except where so authorized by the FIU.

Article 32 - Others Issues

32.1 Banks and financial institutions should maintain a complete file on all suspicious transaction reports submitted by their employees to its compliance officer and such reports that have been further submitted to the Financial Intelligence Unit.

32.2 Banks and financial institutions must take reasonable measures to ensure that all their officers and employees involved in conducting or facilitating customer transactions are aware of these reporting procedures.

Article 33 – Detection and Reporting of the Financing of Terrorism

33.1 Banks and financial institutions should take the necessary measures to ensure compliance with the United Nations Security Council (UNSC) Resolutions and relevant regulations and legislation on financing of terrorism.

33.2 Banks and financial institutions should extend the suspicious transaction report system and mechanism to cover suspicion of financing of terrorism.

33.3 Banks and financial institutions should maintain a database of names and particulars of terrorist in the United Nations list and they should consolidate their database with the other recognized lists of designated persons. Information contained in the database should be updated and relevant and made easily accessible to employees for the purpose of identifying suspicious transactions and freezing accounts / funds.

33.4 Banks and financial institutions should conduct checks of the names of new and existing customers against the names in the database. If there is a name match, the banks and financial institutions should take reasonable measures to verify and confirm the identity of its customer. If the customer and the person listed in the database are the same person, the bank or

financial institution should immediately freeze the customer's accounts and inform the Financial Intelligence Unit. Where banks and financial institutions suspect that a transaction is terrorist-related, it should make a suspicious transaction reports to the Financial Intelligence Unit.

Article 34 – Risk Management

34.1 The Board of Directors of banks and financial institutions should establish an effective internal control system for AML/CFT compliant with legal and regulatory requirements. It is responsibility of the senior management to ensure such internal controls are implemented effectively.

34.2 The Board of Directors and senior management should be aware of and understand the AML/CFT measures required by law, the regulators, the industry's standards and best practices as well as the importance of putting in place AML/CFT measures to prevent their bank or financial institution from being abused by money launderers and financiers of terrorism. The Board of Directors should oversight the overall AML/CFT measures undertaken by the bank or financial institution.

34.3 The Board of Directors and senior management should be aware of the money laundering and financing of terrorism risks associated with all its business products and services.

34.4 The Board of Directors should ensure that its bank or financial institution has, at the minimum, policies on AML/CFT procedures and controls. The senior management should assist the Board of Directors in formulating the policies and ensure that the policies are in line with the risks associated with the nature of business, and complexity and volume of the transactions undertaken by the bank or financial institution.

34.5 The Board of Directors should ensure that the procedures for AML/CFT measures including those required for customer acceptance policy, customer due diligence, record keeping, on-going monitoring, reporting of suspicious transactions and combating the financing of terrorism are in place.

34.6 The Board of Directors should assess the implementation of approved AML/CFT policies by the senior management via periodic reports.

34.7 The Board of Directors should define the lines of authority and responsibilities for implementing the AML/CFT measures and ensure that there is a separation of duty between those implementing the policies and procedures and those enforcing the controls. The Board of Directors should ensure the:

- ❖ appointment of a compliance officer to ensure that the policies, procedures and controls are in place; and
- ❖ effectiveness of internal audit in assessing and evaluating the controls in place to counter money laundering and financing of terrorism.

34.8 The Board of Directors should review and assess the policies and procedures on the AML/CFT measures in line with changes and developments in its products, services and technology systems, as well as trends in money laundering and financing of terrorism techniques. The senior management should implement the necessary changes to the policies and procedures with the approval of the Board of Directors to ensure that the current policies are sound and appropriate.

34.9 The Board of Directors and senior management should ensure that there are adequate ongoing AML/CFT training programs in place.

Article 35 - Staff Integrity

Senior management should ensure that its bank or financial institution establish an employee assessment system, approved by the Board of Directors, to adequately screen its employees, both existing and new, to ensure that the integrity of its employees is not compromised. The employee assessment system should at least examine personal information including criminal records, employment and financial history of its new employees as part of the recruitment process.

Article 36 - Compliance Officer

36.1 Senior management is responsible to appoint the compliance officer at senior management level with the approval of the Board of Directors. Senior management should ensure that the compliance officer effectively discharges his/her AML/CFT responsibilities. The compliance officer should act as the reference point for the AML/CFT measures the bank or financial institution has established, including employee training and reporting of suspicious transactions.

36.2 Banks and financial institutions should upon the appointment or change in the appointment of the compliance officer inform the Financial Intelligence Unit of the details of the compliance officer including the name, address, telephone number, facsimile number, e-mail address and other relevant background.

36.3 Banks and financial institutions should ensure that the roles and responsibilities of the compliance officer are clearly defined and documented. The roles and responsibilities of the AML/CFT compliance officer should include at least ensuring:

- implementation of the policies for AML/CFT measures;
- the appropriate AML/CFT procedures including customer acceptance policy, customer due diligence, record keeping, on-going monitoring, reporting of suspicious transactions and combating the financing of terrorism are implemented effectively;
- regular assessment of the AML/CFT mechanisms to ensure that the mechanisms are sufficient to address the changing trends;
- the channel of communication from the respective employees to the compliance officer is secured and that any information is kept confidential;
- compliance with the AML/CFT legal and regulatory requirements;
- all employees are aware of AML/CFT measure including policies, control mechanisms and channel of reporting to ensure the effectiveness of such measures;
- the identification of money laundering and financing of terrorism risks associated with new products or services or arising from the bank's or the financial institution's operational changes, including the introduction of new technology and processes.

36.4 Compliance officers should have the necessary knowledge and expertise to effectively discharge his/her responsibilities, including knowledge on AML/CFT obligations required under the relevant laws and regulations and an understanding of developments in money laundering and financing of terrorism techniques

Article 37 - Staff Training and Awareness Programmes

37.1 Banks and financial institutions should have an awareness and training programme on AML/CFT practices and measures for its employees. The training and awareness programme must be extended to all new and existing employees.

37.2 Senior management should ensure that proper channels of communication are in place to inform all levels of employees in banks and financial institutions of their AML/CFT policies and procedures.

37.3 Employees should be aware of AML/CFT policies and controls in place and the requirements as specified in the present Prakas and in banks and financial institutions AML/CFT internal manual.

37.4 The AML/CFT internal manual should at least contain the following:

- the *Law on Anti-Money Laundering and Combating the Financing of Terrorism*;
- the present Prakas;
- the FATF Forty plus Nine Recommendations;
- the Customer Due Diligence Paper by Basel Committee on Banking Supervision; and
- the bank's and financial institution's measures to meet all AML/CFT requirements.

37.5 Banks and financial institutions should at least adapt to their needs the following training packages for the various sectors of employees within their institutions:

- *New Employees*

  A general background to money laundering and financing of terrorism, the requirement and obligation to identify and report suspicious transactions to the appropriate designated point within banks and financial institutions, and the importance of not tipping off the customer.

- *Front-Line Employees*

  Employees who deal directly with the customers as the first point of contact with potential money launderers and financiers of terrorism should be trained in identifying suspicious transactions, the measures to be taken once a transaction is deemed to be suspicious, factors that may give rise to suspicions, large cash reporting and enhanced customer due diligence.

- *Employees - Account Opening/New Customers*

  Employees, who are responsible for account opening or the acceptance of new customers, should at least receive the equivalent training given to front-line employees. In addition, they should be trained in customer identification and verification, opening of accounts and establishing business relationship with customers.

- *Supervisors and Managers*

  Supervisors and managers should receive a higher level of instruction covering all aspects of AML/CFT procedures including the penalties for non-compliance to

the AML/CFT requirement, and procedures in addressing combating the financing of terrorism issues.

37.6 These training and awareness programmes should be conducted regularly with refresher courses provided for employees. New employees should be trained within three months of commencement of employment and front line employees, supervisors and managers should have refresher training annually.

Article 38 - Internal Audit

38.1 The Board of Directors should ensure that internal auditors undertake audit of the effectiveness and compliance with AML/CFT requirements of the relevant laws and regulation as well as the present Prakas.

38.2 The Board of Director should ensure that the roles and responsibilities of the internal auditor are clearly defined and documented and at least include:

- testing the effectiveness of the policies, procedures and control for AML/CFT measures;
- ensuring effectiveness of AML/CFT control mechanisms including the appointment of compliance officers, staff training and awareness programmes, employee screening mechanisms and AML/CFT internal manual; and
- ensuring that measures put in place are in line with current developments and changes of the relevant AML/CFT requirements.

38.3 Banks and financial institutions should inform the Financial Intelligence Unit and the National Bank of Cambodia upon the appointment or change in the appointment of the internal auditor and on the approach and procedures adopted by the internal auditors.

38.4 The internal auditor should submit a written report on the audit findings to the Board of Directors on a regular basis. The annual audit report should highlight inadequacies of any AML/CFT measures and control systems within the bank or the financial institution, and the Board of Directors should ensure that necessary steps are taken to rectify the situation. Audit findings and reports on AML/CFT should be submitted to the National Bank of Cambodia after consideration by the Board of Directors.

Article 39 -

The present Prakas supersedes the existing Prakas on Standardized Procedures for Identification of Money Laundering at the Banking and Financial Institution issued on October 21, 2002 and Circular on Suspicious Transactions and Know your Customer Policies issued on October 04, 2003.

Article 40 -

The General direction, the General Secretariat, the General Inspection, the General Cashier and all departments of the National Bank of Cambodia, all Banking and Financial Institutions under NBC's supervisory authority shall strictly implement the present Prakas.

Article 41-

The present Prakas shall have effect from the signing date.

Phnom Penh, 30 May 2008

The Governor

Signed and Sealed: **Chea Chanto**

Appendix I

DESCRIPTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

Pursuant to the Law on Anti-Money Laundering and Combating the Financing of Terrorism

"*Money laundering*" shall mean:

1. The conversion or transfer of property, knowing that such property is the proceeds of offence, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the predicate offence to evade the legal consequences of his or her action;

2. The concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of offence;

3. The acquisition, possession or use of property, knowing, at the time of receipt, that such property is the proceeds of offence;

4. Participation in, and attempts to commit and aiding and abetting, any of the acts defined in accordance with this article;

"Financing of terrorism" shall mean:

"*Financing of terrorism*" shall mean the wilful provision or collection of funds, directly or indirectly, through whatever means, with the intention that such funds be used or in the knowledge that they are or may be used, in full or in part, for the purpose of supporting terrorism, terrorist acts or terrorist organizations.

Appendix II

EXAMPLES OF SUSPICIOUS TRANSACTIONS

Cash Transactions, Deposit and Withdrawal

1. Unusually large cash deposits made by an individual or company whose ostensible business activities would normally be generated by cheques and other instruments.
2. Substantial increases in cash deposits of any individual or business without apparent cause, especially if such deposits are subsequently transferred within a short period of time, out of the account and/or to a destination not normally associated with the customer.
3. Company accounts whose transactions, both deposits and withdrawals, are denominated in cash rather than the forms of debit and credit normally associated with commercial operations (e.g. cheques, Letters of Credit, Bills of Exchange, etc.)

4. Customers who constantly pay in or deposit cash to cover requests for bankers' draft, money transfers or other negotiable and readily marketable money instruments.

5. Customers who seek to exchange large quantities of low denomination notes for those of higher denomination.

6. Branches of banks and financial institutions that have a great deal more cash transactions than usual (Head Office statistics detect aberrations in cash transactions).

7. Customers whose deposits contain counterfeit notes or forged instruments.

8. Customers transferring large sums of money to or from overseas locations with instructions for payment in cash.

9. Purchasing or selling of foreign currencies in substantial amounts by cash settlement despite the customer having an account with the institution.

10. Customers making large and frequent cash deposits but cheques drawn on the accounts are mostly to individuals and firms not normally associated with their retail business.

11. Deposits for a business entity in combinations of monetary instruments that are atypical of the activity normally associated with such a business.

12. Mixing of cash deposits and monetary instruments in an account in which such transactions do not appear to have any relation to the normal use of the account.

13. Multiple transactions carried out on the same day at the same branch of a financial institution but with an apparent attempt to use different tellers.

14. The structuring of deposits through multiple branches of the same financial institution or by groups of individuals who enter a single branch at the same time.

15. The deposit or withdrawal of cash in amounts which fall consistently just below identification or reporting thresholds.

16. The customer presents funds that have not been counted and upon counting reduces the fund involved to an amount just below what would trigger reporting or identification requirements.

17. The deposit or withdrawal of multiple monetary instruments at amounts which fall consistently just below identification or reporting thresholds, particularly if the instruments are sequentially numbered.

Accounts

18. Accounts that appear to act as pass through accounts with high volumes of credits and debits and low average monthly balances.

19. Customers who wish to maintain a number of trustee or client accounts, which do not appear consistent with the type of business, including transactions, which involve nominee names.

20. The opening by the same person of multiple accounts into which numerous small deposits are made that in aggregate are not commensurate with the expected income of the customer.

21. Any individual or company whose account shows no normal personnel banking or business related activities, but is used to receive or disburse large sums which have no obvious purpose or relationship to the account holder and/or his business (e.g. a substantial increase in turnover on an account).

22. Reluctance to provide normal information when opening an account, attempts to reduce the level of information provided to the minimum or providing information that is difficult or expensive for banks and financial institutions to verify.

23. Customers who appear to have accounts with several bank and micro finance institutions within the same locality, but choose to consolidate monies from such accounts on regular basis for onward transmission of the funds to another 3rd party account.

24. Paying in large third party cheques endorsed in favour of the customer.

25. An inactive account containing a minimal sum suddenly receives a deposit or series of deposits followed by daily cash withdrawals that continue until the transferred sum has been removed.

26. Greater use of safe deposit facilities, which does not commensurate with the customer profile.

27. Customer avoiding contact with employees of banks and financial institutions for transaction.

28. Substantial increases in deposits of cash or negotiable instrument by a professional firm or company, using client accounts or in-house company, or trust accounts,

especially if the deposits are promptly transferred between other client's company and trust accounts.

29. Customers who decline to provide information that in normal circumstances would make the customer eligible for credit or for other banking services that would be regarded as valuable.

30. Large number of individuals making payment into the same account without an adequate explanation.

31. High velocity of funds through an account, i.e., low beginning and ending daily balances, which do not reflect the large volume of dollars flowing through an account.

32. An account opened in the name of a money-changer that receives structured deposits (e.g. constant amount of deposit regularly).

33. An account operated in the name of an off-shore company with structured movement of funds.

34. Accounts that receive relevant periodical deposits and are inactive at other periods. These accounts are then used in creating a legitimate appearing financial background through which additional fraudulent activities may be carried out.

35. An account for which several persons have signature authority, yet these persons appear to have no relation among each other (either family ties or business relationship).

36. An account opened by a legal entity or an organization that has the same address as other legal entities or organizations but for which the same person or persons have signature authority, when there is no apparent economic or legal reason for such an arrangement (for example, individuals serving as company directors for multiple companies headquartered at the same location, etc.).

37. An account opened in the name of a recently formed legal entity and in which a higher than expected level of deposits are made in comparison with the income of the founders of the entity.

38. An account opened in the name of a legal entity that is involved in the activities of an association or foundation whose aims are related to the claims or demands of a terrorist organization.

39. An account opened in the name of a legal entity, a foundation or an association, which may be linked to a terrorist organization and that shows movements of funds above the expected level of income.

International Banking/Trade Finance

40. Customer introduced by an overseas branch, affiliate or other bank based locations of specific concern (for example, countries where production of drugs or drug trafficking may be prevalent, countries designated by national authorities, FATF's non-cooperative countries and territories, etc.).

41. Use of Letter of Credit and other methods of trade finance to move money between countries where such trade is not consistent with the customer's usual business.

42. Customers who make regular and large payments, including wire transactions, that cannot be clearly identified as bona fide transactions, or receive regular and large payments from countries which are commonly associated with the production, processing or marketing of drugs, prescribed terrorist organizations or tax havens.

43. Building up of large balance, not consistent with the known turnover of the customer's business, and subsequent transfer to account(s) held overseas.

44. Unexplained electronic fund transfers by customers on an in-and-out basis or without passing, through an account.

45. Frequent requests for or paying in of travellers' cheques or foreign currency drafts or other negotiable instruments to be issued or originating from overseas.

46. Customers sending and receiving wire transfer to/from tax haven countries, particularly if there are no apparent business reasons for such transfers or such transfers are not consistent with the customers' business or history.

Banks and financial institutions employees and agents

47. Changes in employee characteristics, e.g. lavish life styles or avoiding taking holidays.

48. Changes in employee or agent performance, e.g. the salesman selling products for cash has a remarkable or unexpected increase in performance.

49. Any dealing with an agent where the identity of the ultimate beneficiary or counterpart is undisclosed, contrary to normal procedure for the type of business concerned.

50. Sudden strong performance by employees in special relationship/confidential relationship banking services such as trust or private banking services or sudden increase in the wealth/spending of such employees.

Private banking and trust services

51. The grantors of private banking and trust accounts that direct loans from their accounts to other parties or business interests of account principals or beneficiaries.

Secured and Unsecured Lending

52. Customers who repay problem loans unexpectedly.

53. Request to borrow against assets held by banks and financial institutions or a third party, where the origin of the assets is not known or the assets are inconsistent with the customer's standing.

54. Request by a customer for a bank and micro finance institution to provide or arrange financial contribution to a deal which is unclear, particularly, where property is involved.

55. Customers who unexpectedly repay in part or full a mortgage or other loan in a way inconsistent with their earning capacity or asset base.

Wire transfer

56. Wire transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements.

57. Wire transfers to or for an individual where information on the originator, or the person on whose behalf the transaction is conducted, is not provided.

58. Use of multiple personal and business accounts or the accounts of non-profit organizations or charities to collect and then funnel funds immediately or after a short time to a small number of foreign beneficiaries.

Characteristic of customer or his business activity

59. Funds generated by a business owned by individuals or involved by multiple individuals of the same origin from countries of specific concern acting on behalf of similar business types.

60. Shared address for individuals involved in cash transactions, particularly when the address is also a business location and/or does not seem to correspond to the stated occupation (for example student, unemployed, self-employed, etc.).

61. Stated occupation of the customer does not commensurate with the level or type of activity (for example, a student or an unemployed individual who receives or sends large numbers of wire transfers, or who makes daily maximum cash withdrawals at multiple locations over a wide geographic area).

62. Regarding non-profit or charitable organizations, financial transactions for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction.

63. Unexplained inconsistencies arising from the process of identifying or verifying the customer (for example, regarding previous or current country of residence, country of issue of the passport, countries visited according to the passport, and documents furnished to confirm name, address and date of birth).

Transaction linked to locations of concern

64. Deposits are followed within a short time by wire transfers of funds, particularly to or through a location of specific concern (for example, countries designated by national authorities, FATF non-cooperative countries and territories, etc.).

65. A business account through which a large number of incoming or outgoing wire transfers take place and for which there appears to be no logical business or other economic purpose, particularly when this activity is to, through or from locations of specific concern.

66. A customer obtains a credit instrument or engages in commercial financial transactions involving movement of funds to or from locations of specific concern when there appears to be no logical business reasons for dealing with those locations.

Nº B7-00-50 Prokor

PRAKAS

ON

THE ACCOUNTING PROCESS FOR FOREIGN CURRENCY TRANSACTIONS

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Article 1

For the purposes of this Prakas, terms below are defined as follows:

(1). The reporting currency is the currency used for maintaining accounts and presenting financial statements. For temporary accounting periods, the US dollar shall be used as reporting currency until such time as the dollarization of Cambodia's economy has advanced significantly.
(2). A foreign currency is any currency other than a financial institution's reporting currency.
(3). The exchange rate is the ratio between a unit of one currency and the amount of another currency into which that unit can be converted at a given time.
(4). The spot rate is the exchange rate quoted for immediate delivery at the time of a foreign exchange transaction.
(5). A forward rate is an exchange rate stipulated in an agreement to exchange currencies at a specified future date.
(6). The closing rate is the spot exchange rate on the date of the balance sheet.
(7). A foreign currency transaction is a transaction which is denominated in or requires settlement in a foreign currency, including foreign exchange transactions, which create foreign exchange positions.

Article 2

Foreign currency transactions shall be recorded in accordance with the provisions laid down by this Prakas. To this end, the accounting system used by financial institutions should at a minimum be organized so as to provide the information required in this Prakas.

Precious metals, such as gold and silver, which are held in a negotiable form shall follow the valuation rules set out in Article 6 of this Prakas.

Article 3

Financial institutions shall record spot or forward foreign currency transactions in accounts opened and denominated in each of the currencies used.

For the purposes of this Prakas, purchases or sales of foreign currencies in which the parties do not defer completion or defer it only for the customary period shall be regarded as spot contracts. Thus a spot contract is defined as any foreign exchange contract within two business days of its maturity unless a shorter period is customary or required in the local market.

For the purposes of this Prakas, purchases or sales of foreign currencies in which the parties decide to defer completion for more than the customary period of two business days shall be regarded as forward contracts.

Article 4

The counterpart of the foreign-currency accounting entries relating to foreign-exchange transactions - namely those which entail a foreign currency position - shall be entered in foreign exchange position accounts opened either on or off the balance sheet and denominated in each of the currencies used.

The reporting currency accounting entries relating to foreign exchange operations shall be entered in foreign exchange position counter value accounts on or off the balance sheet.

Consequently, transactions involving a foreign currency and the reporting currency shall be entered in their appropriate ledger and each ledger shall be balanced by using "mirror accounts" such as the following:

* foreign currency exchange position divided into:

    - balance sheet exchange position
    - off-balance sheet exchange position.

* reporting currency exchange position equivalent (or counter value) divided into:

    - balance sheet exchange position equivalent
    - off-balance sheet exchange position equivalent.

Article 5

Capital commitments arising from purchases or sales relating to spot foreign exchange transactions with the customary completion period of two business days and to forward foreign exchange transactions must be recorded in the appropriate off-balance sheet accounts on the date the operation is entered into. Upon delivery of the foreign currencies, the operations shall be entered in the financial institution's balance sheet.

Article 6

On each accounting statement date, the asset, liability or off-balance sheet items shall be valued at the market price prevailing on the statement date. The market rate applicable to asset and liability items and to spot foreign exchange commitments shall be the closing rate of the currency concerned.

The market rate applicable to forward foreign exchange commitments shall be the forward rate of the currency concerned for the outstanding term, namely the forward market rate corresponding to the maturity date of the commitment.

Article 7

On each accounting statement date, the differences between, on the one hand the amounts arising from the valuation - in the reporting currency - of the foreign-exchange position accounts in accordance with the provisions of Article 5 and, on the other hand, the amounts shown in the foreign-exchange position counter value accounts shall be entered in the profit and loss account. The counterpart of these entries must be recorded in the foreign-exchange

position counter value accounts denominated in the reporting currency.

Since it is not possible to debit a balance sheet account by crediting an off-balance sheet account and vice-versa, gains and losses posted to the profit and loss account and stemming from off-balance sheet exchange positions shall be balanced by a balance sheet balancing account.

The differences relating to transactions where the exchange risk is borne by the State must be entered in adjustment accounts.

Article 8

The accrued foreign currency income and expenses relating to loans and borrowings, securities or off-balance sheet operations shall be valued at the spot rate of the foreign currency concerned and entered in the profit and loss account with a frequency determined by the financial institution and at the latest on the accounting statement date.

Non-accrued foreign currency income receivable and expenses payable in respect of operations on or off the balance sheet shall be shown in separate accounts when said income and expenses have been hedged.

Article 9

To ensure consistent reporting of foreign exchange exposures throughout the banking system, revaluations should be performed at a minimum at the close of business at each month's end. If the month ends on a nonbusiness day, the closing positions of the preceding business day will be revalued.

Article 10

All provisions contrary to those of this Prakas are hereby repealed.

Article 11

The General Direction, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 12

This Prakas shall have effect from the signing date.

Phnom Penh, 17 February 2000

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-07-164 Prokor

PRAKAS
ON
USING LANGUAGE, CURRENCY UNIT, AND EXCHANGE RATE FOR ACCOUNTING RECORDS AND REPORTS

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Article 1

All Banking and Financial Institutions shall prepare their accounting records in Riels or in US dollars and use the average official exchange rate issued by the National Bank of Cambodia for each period.

Article 2

Every letter of correspondence with the National Bank of Cambodia shall be written in the Khmer language.

Article 3

Banks and Financial Institutions that are not in compliance with this Prakas shall be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 4

Prakas B593 208 dated November 22, 1993, on Using Language and Currency Unit for Accounting Transactions and Reports is hereby repealed.

Article 5

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall take effect from this signing date.

Phnom Penh, 13 December 2007

The Governor

Signed and Sealed: **Chea Chanto**

No B-7-011-145 Prokor

PRAKAS
ON
CREDIT REPORTING

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CHAPTER 1
GENERAL PROVISIONS

Article 1: Purpose

The purpose of this Prakas is to enable an adequate framework for the establishment of a credit reporting system in Cambodia with the aim of strengthening reliable, competitive responsible and effective lending.

Article 2: Definitions

- **"Adverse Action":** means the denial of credit, or change in the conditions and terms of the credit or loan based on information contained in a credit report.
- **"Authorized Users":** means each of the final persons that will have authorized access to the database. It includes designated employees of Data Providers, employees of CRSPs and designated employees of the National Bank of Cambodia (NBC).
- **"Business Day":** means days on which banks and financial institutions in Cambodia are open for business transactions.
- **"Code of Conduct":** means the rules and regulations governing the operations of credit reporting system (CRS) in an agreement between the NBC and the authorized user group.
- **"Commencement Date":** means the date that CRS will start providing credit reporting activities (CRA) to their data providers and authorized users**.**
- **"Consent":** means a written and voluntary agreement signed by the consumer allowing data providers to input his information into CRS and share with authorized users for permissible purposes provided in this Prakas.
- "**Consumer**": means any legal or natural person whose data has been or might have been included in CRS in spite of a contractual relation with a lender or a lending application signed by him or any other legitimate purposes.
- **"Covered Entities":** means covered entities as defined in the Law on Banking and Financial Institutions, and other financial institutions obtained approval from the NBC.
- **"Credit Information":** means information related to economic and financial obligations of a consumer, including the payment history, guarantees, publicly available information and any other relevant data for credit decision making.
- **"Credit Reporting System" (CRS):** means institutions, rules and standards, technology and data enabling exchange of credit information among all covered entities.
- **"Credit Reporting Activities" (CRA):** means any activities that fall under the scope of this Prakas, including the provision of credit reports and other relevant services.
- **"Credit Reporting System Service Providers" (CRSPs):** means any entities that conduct credit reporting activities and obtain license from the NBC.

- **"Data Providers":** means (1) covered entities, and (2) any other entities providing credit in any forms and voluntarily furnish information to the CRS.
- **"Positive Credit Information/Credit Data":** means consumer's information or data, including loan applications, and total credit exposures such as loan size, maturity, terms and conditions, and collaterals.
- **"Negative Credit Information":** means information relating to overdue, past due, charge-off, or delinquent status of credit transactions between consumer and data provider.
- **"Rules of Reciprocity":** means **s**et of norms defining the level of mutual information exchange and cooperation between data providers.
- **"Advisory Council"** means an advisory committee formed by data providers, independent experts, board of directors, the NBC and other relevant authorities.

CHAPTER 2

ESTABLISHMENT OF A CREDIT REPORTING SYSTEM AND LICENSING

Article 3: Establishment of a credit reporting system

The establishment of credit reporting system which shall be called "Credit Reporting System of Cambodia" (the "CRS") is set up of an efficient, safe and reliable with the aim of ensuring fair and equal treatment to Data providers and other credit market participants.

The CRS shall be subject to an oversight by the NBC.

Article 4: Prohibition

1. No person may engage in credit reporting activities or hold himself out to the public as engaging in credit reporting activities without license from the NBC.
2. No person other than a legal entity incorporated under the Law on Commercial Enterprises shall be licensed to carry out credit reporting activities.
3. This article does not apply to the NBC in the operations of credit reporting activities.

Article 5: Application for License

Any person interested in carrying out credit reporting activities in Cambodia shall apply for a license to the NBC following assigned sample of application for license.

Article 6: Documentation for the License Application

Any application for a license shall be accompanied by the following information and supporting documents:

a) Relevant documents regarding the legal status of the company.
b) Statements of the founders' previous experience in the field of banking and credit, including name list of the stakeholders, amount invested and relation of investments with other companies.
c) Board Members shall be composed with adequate qualifications.

d) Management Team with University degree or relevant experience in the credit market, banking, or financial sector.
e) Organizational structure, three (3) years projection for the operations of the CRS, information systems, internal procedures and manual of operations.
f) Feasibility study according to the business plan, infrastructure to support the business or relevant agreements with other providers.
g) Ownership and governance structure including the composition of the Board of Directors and selection criterion.
h) Continuity plan.
i) Proposed pricing policies.
j) Code of Conduct and other relevant rules for the functioning of the system.
k) Declaration of interested parties to adhere the Code of Conduct.

The NBC shall require other relevant documents deem necessary for assessing the application.

Article 7: Application Procedures

All applicants shall send the application in writing together with all the relevant documentation to the NBC.

Within 90 days after the satisfactory receipt of the application, supporting documents and fee payment, the NBC shall issue a notice to the applicant in writing with the approval or refusal of the application.

CHAPTER 3

PRINCIPLES REGARDING THE USE OF INFORMATION

Article 8: Permissible Purposes

The credit reporting service will be provided with following purposes:
a) To evaluate the creditworthiness and over indebtedness of a consumer in relation to a credit or loan application.
b) To support the NBC in its supervisory role to monitor credit flow of the financial system, analyze data to produce financial stability reports, and to supervise banking and financial institutions.
c) To evaluate credit risks, and/or to review or give a credit or loan.
d) To evaluate risks associated with the transactions of deferred payments.
e) To allow the consumer to confirm the accuracy of his or her information in a credit report.
f) To evaluate or audit the efficiency reliability and legal compliance of the CRS.

The information contained in the CRS shall not be used for different purposes other than the ones established under this article unless specific consumer's consent is obtained.

Article 9: Obligations of Relevant Parties to Ensure Data Quality

Credit Reporting System Service Providers (CRSPs) and Data Providers shall use their best endeavors to make sure that the Consumers' information collected, used or disclosed is accurate, complete and up-to date. The data shall be collected by lawful and fair

means and shall include only necessary information for obtaining a valid identification and credit payment behavior of the consumer. CRSPs and Data Providers shall be accountable for the followings:

1. CRSPs shall :

    a) Establish adequate procedures to ensure completeness and veracity of the information;
    b) Ensure that data is updated on constant basis according to the code of conduct;
    c) Establish adequate mechanisms for data correction and deletion ensuring that all users accessing incorrect data during the previous 3 months are sufficiently informed and notified of the error and correct the data according to the times frames as set out in the Code of Conduct and establish adequate mechanisms to ensure that all users that have access to the data in the previous 3 months are aware of such error and receive the correct information, and that a copy is also sent to the Consumer;
    d) Be accountable to data providers, users, consumers for any data errors that have occurred during the processing or distribution of credit information as a result of gross negligence or reckless behavior. CRSPs shall:

        - Correct data immediately and establish adequate mechanisms to ensure that all users that have accessed the data in the previous 3 months are aware of such material error and receive the correct information in the following update;
        - Receive a copy of the updated report and provide to the consumer with the primary address held in file by the CRSPs;
        - Be liable for any claim from the consumers that may result in a substantial damage of the consumer's financial reputation, as a consequence of gross negligence or reckless behavior;
        - Make all reasonable efforts to mitigate damages suffered by the consumer for data errors.

    e) Shall be liable to data provider, authorized user, the NBC, or any third party for any claim in connection with any delay, interruption or failure of providing credit information or statistical reports, unless they are resulting from governmental orders, sabotages, riots, vandalism, ISP denial of service, or any other cause that is beyond the CRS's reasonable control;
    f) Not transfer, sell or rent any credit information submitted by data providers, or authorized users.

2. Data providers shall:

    a) Be accountable for any incorrect information sent to any CRSPs;
    b) Be liable for any claim from the consumers regarding errors that are material to a substantial damage of customer's financial reputation, as a consequence of gross negligence or reckless behavior in compliance with the decision made under the conflict resolution mechanisms provided in Article 26 of this Prakas;
    c) Mitigate damages suffered by consumer for data errors by establishing all necessary policies and procedures.

Each data provider shall have its own credit decision making rules. The credit information and other services provided by the CRS shall be considered as one of the tools for credit risk decision process, but the decision shall not be made solely on the basis of the credit information obtained from the CRS.

Article 10: Data Security

CRSPs and data providers shall ensure the integrity of the database at all times. To prevent misuse or unauthorized access, data loss or data corruption, all necessary steps must be possessed the following rules:

1. CRS shall have systems, processes and procedures to ensure data recovery and disaster plans to prevent data loss or data corruption;

    a) Access to the database will be restricted to authorized users;
    b) CRSPs shall establish adequate mechanisms to ensure that data will be used only for permissible purposes or other lawful purposes with consumer's consent according to article 8 of the present Prakas.

2. Data providers shall ensure the availability of adequate security measures, policies and procedures. Security measures policies for the operation of the CRS shall be approved by the Board of Directors of the CRSP and the NBC. The measures adopted should be reflected from a technical, organizational and technological view.

Article 11: Data Retention Period

1. Information collected by CRS will be distributed among data providers for a period of ten (10) years from the payment or settlement deadline in case of positive information;
2. Court judgment data will not be distributed after three (3) years from the execution date;
3. Bankruptcy data will be distributed for a period of five (5) years from the date of discharge;
4. Negative information will be distributed for a period of three (3) years from the payment deadline.

Article 12: Consumer Rights

CRS and relevant parties shall ensure:

a) Individual's rights regarding their data will be respected;
b) The CRSPs shall establish a dedicated unit with clear rules and procedures to handle claims and requests from individuals regarding their data;
c) No data related to consumer's political tendency, beliefs, color, race, and personal private information will be collected and stored in the CRS;
d) Data will be collected for the permissible purposes provided under the article 8. Data collected or used for different purposes than the ones stated under the article 8 will need unambiguous consumer's consent.

CHAPTER 4

DATA PROVIDERS

Article 13: Covered Entities

1. All Covered Entities are required to contribute positive and negative information regarding all their credit exposure to the CRS on a monthly basis. Any failure to contribute and/or access data shall be subject to sanctions provided under applicable laws;
2. Consumers' consent shall be obtained for data collection and data access. The NBC will establish a standard consent form to be used by all covered entities;
3. A timeframe of nine (9) months to adapt their systems to provide data on a monthly basis will be granted;
4. There will be no discrimination between any data providers and the CRS shall provide service under fair conditions to all participants.

Article 14: Other Data Providers and Users

1. Non covered entities shall contribute data and access data to the CRS once the prior consumer's consent and the NBC is obtained;
2. All data providers and users whether regulated by the NBC or not, will be subject to the same rules, obligations, and sanctions, as provided in this Prakas;
3. Under the rules of reciprocity, entities, that do not report all required information, will not be able to access all information submitted to the CRS by other data providers;
4. The NBC can mandate the participation of new data providers when their activity in Cambodian credit market is perceived to be significant by the NBC.

CHAPTER 5

MANAGEMENT OF CREDIT REPORTING SYSTEM

Article 15: Corporate Governance

1. Any CRSP operating in Cambodia shall establish Board of Directors which shall be composed of at least seven (7) members, one of which shall be a representative of the NBC, and another one shall be an independent director.
2. The members of the Board shall have adequate qualifications on banking and financial system. No person shall be a member of the Board of Directors of the CRS if he or she has been convicted of any of the followings:
   a) Crime;
   b) Theft, forgery, fraud or breach of trust;
   c) Misappropriation of work;
   d) Usury;
   e) Money laundering and financing terrorism;
   f) Issuing dishonored cheques;
   g) Personal bankruptcy, receivership or liquidation of assets.
3. A Chief Executive Officer shall be nominated by the Board of Directors. No person shall act as Chief Executive Officer if:

a) he has been convicted of any crimes;
b) he is a minor or legally disable;
c) he has been convicted of an offence involving theft or fraud causing financial loss;
d) he has been removed from an office on account of abuse of office or corruption in the immediate ten (10) years ;
e) he has been convicted of an offence involving dishonesty;
f) he is a CEO or acts in the Board of Directors of any of the data provider;

4. CRSP shall establish a dedicated unit to put into practice the consumer's rights, CRS's operations, and security measures;
5. The Board of Directors shall be responsible for ensuring that the CRS is prudently managed and complies with any applicable laws and regulations.

CHAPTER 6

OPERATIONS OF THE SYSTEM

Article 16: Data Sources

1. The CRS will collect, load, and disseminate credit information and related data about individuals and firms from the following sources:
   a) covered entities , users and other data providers; and
   b) other public information available via lawful means.
2. CRSPs shall be able to access to publicly available information and other sources, including:
   a) An institution or organization in charge of business registers, immovable property and other property rights;
   b) An institution or organization in charge of keeping identification files such as National ID, family book, passport or tax number.
3. The CRSPs may collect data on court judgments and insolvency proceedings when available and obtained through lawful means.

Article 17: Collection and Distribution

1. CRS will collect, process, and store credit information obtained from the data providers and other data sources according to the best possible knowledge, including operational guidelines to protect data from misuse, unauthorized access, loss, or system failure. CRS will introduce quality control procedures to ensure the continuity of the service.
2. Data providers shall submit their complete loan portfolios according to the layout and format established by the CRSPs in agreement with the credit reporting council. The initial format will follow the layout indicated in ANNEX 1 (file layout). It will include two parts, one containing identifiable information of the borrower and guarantor and another relating to the credit transaction data.
3. Data providers shall provide the first file within ninety (90) days, beginning from being notified the commencement date.
   a) The CRS shall load all relevant data that complies with the File Layout received from the data providers within a period of 5 business days since the receipt of data.

b) All data providers shall provide a complete update of their credit information every month, at least dated on the fifth (5) of next month.
c) The file shall be provided in the format established by the Boards and approved by the Council.

4. CRSPs shall be responsible for the CRS database and shall provide the credit information services to covered entities, data providers and other authorized users under this Prakas, the code of conduct, or any applicable regulations of the NBC.
5. CRSPs shall be responsible for data leakage as of a result of system failure or data misuse by its employees.
6. Credit information shall not be sold or disclosed by any of the covered entities, data providers, or any users to a third party. Covered entities, data providers, or authorized users, shall not use the information obtained from the CRS to provide services to third parties or to conduct marketing campaigns, other than their existing customers.
7. CRSPs may modify the terms and conditions of the service to guarantee or improve the performance of the service. CRS shall send a notice to the data providers within 60 days before the new conditions come into effect.

Article 18: Access to Credit Reporting System (CRS)

1. All covered entities shall use the CRS to analyze the payment behavior of the applicant whenever they receive any new loan application, or renewal or extension of an existing credit facility, regardless of the loan amount.

   a) Access to the CRS shall be restricted to data providers or authorized users under the terms established in the code of conduct.
   b) The CRSPs shall establish processes, procedures and rules for determining authorized users to be authorized.

2. Other non regulated data providers shall submit credit information and access the CRS on a voluntary basis, subject to the rules of reciprocity and code of conduct.
3. The CRSPs shall ensure that the service is, secure, stable and usable, and shall ensure that the credit reporting system is fully capable of serving data providers and authorized users.
4. CRSPs shall not be responsible for non-authorized access that occurs as a consequence of the sharing or disclosure access codes or passwords with third parties by any data provider or authorized user.
5. All data providers and authorized users shall be subject to the security measures procedures adopted and contained under the code of conduct.

Article 19: Other Services.

CRSPs shall request for guidance from the Credit Reporting Council prior to introducing any new services or products. The council shall produce a report with their conclusions based on fairness of the product for all creditors and impact on consumers. The council shall provide the report to the CRSPs within 30 days from the requested date.

Article 20: Pricing Policies

1. CRSPs may charge fees, charges or penalties for its services, based on a transparent policy in accordance with the services provided.

2. The CRSPs shall obtain approval from the NBC for any amendments to the pricing policy prior to the enactment. The NBC shall consider such application and related documents, and either approve or decline within 15 business days.

CHAPTER 7

CONSUMER RIGHTS

Article 21: Notification of Consumer Rights

1. By way of a consent clause, data providers shall notify the consumer on any loan application, renewal or extension of the relevant credit information being submitted to the CRS. The consent clause shall include the followings:

    a) Name of the data provider;
    b) Purpose of collection the credit information;
    c) Name and address of the CRSP;
    d) Means to access the credit information in case there is a need to correct or modify the credit information.
    e) Covered entities and non-covered entities, when become data providers, shall include notification of consumer rights in the loan application form and establish a standard consent form as provided in annex II and III, respectively.

2. When an adverse action against a consumer has taken place, as a result of a CRS enquiry, the data provider shall notify the consumer accordingly within 5 business days.

Article 22: Confidentiality

1. The credit information is confidential and shall only be used for the permissible purposes set forth in the article 8. Confidentiality shall be strictly implemented and data providers or authorized users shall not sell or otherwise provide such credit information to any third party.
2. Only authorized employees of the users, the NBC, and the CRSPs can access the information and always for the strict performance of their duties. The CRSPs shall take all necessary measures to ensure that CRS's directors and employees regularly maintain the confidentiality of credit information. The CRSPs shall take all reasonable measures to prevent unauthorized access to credit information, and shall establish and enforce security policies and procedures to govern the access to the credit information.
3. The NBC shall have free access to the CRS to obtain credit information for its oversight functions of covered entities, as well as other information pertaining to the non-covered entities to monitor the overall financial stability.
4. The NBC shall have access to the CRS in order to fulfill its oversight functions to maintain the efficient, transparent, fair and legal operations of the CRS.
5. Directors and employees of CRSPs, authorized users and employees of data providers shall sign confidentiality agreements prior to gaining access to credit information or the CRS.

Article 23: Right over Information

1. Consumers shall be entitled to request disclosure of any data pertaining to him/her once a year, per copy.

    a) The report shall be provided to the consumers within ten (10) business days from the receipt of the request to the primary address held in file at the CRS. The consumer can request an immediate report at assigned rate of the CRSPs.
    b) The consumers shall sufficiently identify themselves prior to gaining access to their credit information.
    c) The CRSPs shall provide the consumer a copy of all their credit information, including the name and list of the data providers that have accessed their credit information within the last six (6) months.

2. The consumers shall be entitled to request for correction of any incorrect or incomplete credit information at any time.

    a. When a request for correction of incorrect or incomplete credit information is received, the CRSPs shall inform relevant data provider and send all relevant information to that data provider in order to investigate and correct the credit information within ten (10) business days.
    b. The CRSPs shall inform the consumer at the primary address held in the file at the CRS no later than ten (10) business days after receiving the response from the relevant data provider of the result of the complaint.

3. A detailed consumer rights procedure shall be made available at all data provider's premises and their respective websites or at the CRSPs premises and website.

CHAPTER 8

OVERSIGHT

Article 24: Roles of the National Bank of Cambodia

1. The NBC has the authority to set up any regulations to control and oversee all credit reporting activities, including any relationship with service providers or data providers and authorized users regarding the efficiency and fair functioning of the CRS.
2. The NBC has authorities to:

    2.1. issue, suspend and de-license of the CRSPs;
    2.2. monitor the compliance with the rules, regulations, code of conduct, terms, procedures and operating systems;
    2.3. supervise the adequacy of mechanisms in ensuring continuity of the services, including the entry and exit requirements and other requirements;
    2.4. monitor all implementation of resolutions adopted by the credit reporting council;
    2.5. require the CRSPs to adopt necessary measures enabling the mandatory participation of all covered entities and the voluntary participation of non-covered entities operating in the credit market; and

2.6. penalize and sanction all parties interacting with the CRS, including but not limited to data providers, authorized users and consumers.

Article 25: Advisory Council

1 The "Advisory Council" shall consist of 5 to 11 members.
2 The "Advisory Council" shall be chaired by the NBC and shall meet at least twice a year or more often when necessary.
3 In order to ensure efficiency, reliability and safety of the system, the "Advisory Council" shall hold regular meeting to agree the followings:

a) The strategic vision of the credit reporting system in Cambodia;
b) The format and content of the credit information file layout;
c) The operational rules governing the CRS;
d) The update periods of credit information, data loading, and disclosing;
e) The design of all products and services of the CRS and the various delivery methods, including security measures and technologies;
f) The participation of new members;
g) The adequacy of technology and homogenization of the IT services to provide data;
h) The content of the operational and technical manuals relating to security, operations, consumer's rights, dispute resolution and any substantial amendment;
i) The content of the code of conduct;
j) The adequacy of services and products provided and pricing policies;
k) The educational programs for credit officers to use data properly;
l) The recommendations to the CRSPs regarding the provision of the service or the conduct of the data providers or users.

Article 26: Dispute Resolution Mechanism

1. Any complaint regarding the accuracy or the credit information shall be submitted to the CRSP for investigation.
2. Once a complaint is received, the CRSP shall investigate the dispute and respond within 10 business days from the date of receipt, by:

a) Investigate the accuracy of the compliant or others;
b) Respond in writing to the complainant outlining the decision;
c) Correcting any incorrect or incomplete credit information within 10 business days.

3. A Consumer dissatisfied with the decision may appeal to the NBC within 10 business days.
4. If the Consumer is not satisfied with the NBC's decision, further appeal may be made to the Court.

CHAPTER 9

ADMINISTRATIVE PROCEEDING

Article 27: Offense

Data providers or authorized users, that has access to credit information in the CRS and uses such credit information for different permissible purposes of this Parkas, shall be liable to breaching the confidentiality and penalties under the Law on Banking and Financial Institutions.

Article 28: Administrative Fine

Any person violates the provisions of this Prakas shall be liable for the following penalties:

1. Any person who, acts either for his own account, or for the account of a legal person, by carrying out the CRA without a license, shall be liable for an administrative fine from five (5) million to two hundred and fifty (250) million riels, without prejudice to the closure of the concerned establishment;
2. Any person or legal entity or any data provider or authorized user, that uses the credit information obtained from the CRS for a different purposes other than the ones established under the Article 8 shall be subject to an administrative fine from five (5) million to two hundred and fifty (250) million riels;
3. Any person whether or not the covered entities, shall be liable for an administrative fine of four (4) million to ten (10) million riels, following the cases of:

    a) he infringes any code of conduct or fails to provide complete and accurate credit information to the CRS within the timeframe provided;
    b) he fails to respond to request for information by the NBC within the timeframe specified;
    c) he knowingly provides the CRS with inaccurate or incomplete information regarding a consumer complaint or investigation;
    d) he fails to comply with the deadlines for consumers' rights.

4. Besides the above monetary penalty, any person infringes on the provision provided in this Prakas or the code of conduct shall be liable for disciplinary sanctions or penalties as provided in applicable law.

CHAPTER 10

TRANSITIONAL PROVISIONS

Article 29: Adoption Period

Data providers shall prepare their procedures, processes, and systems to the requirements provided by this Prakas within a period of nine (9) months, starting from this Prakas comes into effect.

After such period sanctions may be applied by the NBC.

CHAPTER 11

FINAL PROVISIONS

Article 30: Repeal

Prakas B7-06-073 on the Utilization and Protection of Credit Information; Prakas B7-06-101 on the Implementation of Credit Information Sharing System Management Guideline; Prakas B7-06-102 on the Establishment of Board of Directors of Credit Information Sharing System; Prakas B7-06-103 on the Establishment of Management Committee of Credit Information Sharing System; Prakas B7-06-104 on the Establishment of Operators and Secretariats of Credit Information Sharing System are hereby repealed.

Article 31 Implementation

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Cashier, the General Inspection, all Departments and Unit under the National Bank of Cambodia, all Banking and Financial Institutions under the NBC's supervisory authority and all relevant parties shall strictly implement this Prakas.

Article 32: Effect

This Prakas shall have affect from the signing date.

Phnom Penh, 24 May 2011

The Governor

Signed and sealed: **Chea Chanto**

Prakas on Credit Reporting,
Number:…….
Dated: ……

ANNEX 1

a) IDENTIFICATION DATA

Individuals

(i) full name;
(ii) gender;
(iii) date of birth;
(iv) residence address;
(v) identification number (passport, voter's identity card or national identity document); and
(vi) taxpayer registration number.

Legal Persons

(i) name of the entity;
(ii) organization and legal form;
(iii) location;
(iv) number and date of registration as a legal entity;
(v) taxpayer identification number;
(vi) full names of its Chief Executive Officer, directors and shareholders; and
(vii) taxpayer identification number of the Chief Executive Officer, directors and shareholders.

b) CREDIT DATA

(i) date of credit provided and payment of principal and interest as agreed;
(ii) total amount of the loan or other facility granted to the customer;
(iii) currency;
(iv) current outstanding balance;
(v) risk category classification of credit by the credit provider;
(vi) date of the last payment activity;
(vii) type of collateral securing the credit, if any;
(viii) type of credit (mortgage, consumer loan, overdraft etc.);
(ix) creditors name or creditors unique number;
(x) dishonored cheques (bounced cheques);
(xi) default credit, arrears balance;
(xii) court judgments related to financial obligations ; and
(xiii) other information as required by the NBC for banking supervision.

In the case of a credit provider sells goods or offers services on a credit basis or with delayed payment terms:

(i) the amount of the goods and services provided on a credit basis; together with contingent and possible obligations;
(ii) the dates of services were provided;
(iii) the agreed schedule of payment for the services; and
(iv) information on the composition and the types of collateral that secured the payment obligations.

Prakas on Credit Reporting,
Number:…….
Dated:……..

ANNEX 2
Samples of Privacy Notification

(This note of privacy should be included in all credit and loan application which data will be included in the CRS by all covered entities.)

Privacy Notification

We……*(name of the institution)*…… will be collecting your…..*(client)*…. information to include it in the Credit Reporting System (CRS). CRS is credit reporting system regulated by the laws of Cambodia. The information collected will be used for the evaluating credit worthiness and it will be shared with other creditors participating in the CRS under the rules established in the Prakas on Credit Reporting and in the Code of Conduct. If you want to access or correct your information you may send a written request to the Credit Reporting System Service Provider (CRSP) with a proof of your identity and you will receive a response from the CRSP.

Prakas on Credit Reporting,
Number:…….
Dated:……..

ANNEX 3
Consent

(This consent clause shall be included in all credit, loan and deferred payment applications whose data will be included in the CRS from all non covered entities.)

Consent

I,……*(client)*……, hereby authorize,…*(name of the institution)*……..., to collect information contained in the present application and other information relevant to this application, and disclose it to third parties for the purposes established under the Article 8 of the Prakas on Credit Reporting.

I understand that……*(name and address of CRSP and the institution)*……. will be responsible for the collection, processing and dissemination of the data. I am entitled to access my information and complain to obtain the correction or deletion of such data when there is an adequate reason in line with the procedures established under the Prakas on Credit Reporting and the code of conduct.

Nº B7-02-220 Prokor

PRAKAS

ON

SECURITY TRANSACTION OF BANKS LICENSED IN CAMBODIA

****

Article 1

The National Bank of Cambodia supports and creates conditions favourable to the growth and development of the securities market in Cambodia, consistent with the principles of safety, soundness and efficiency of the financial system. To further that end, the NBC will coordinate its accounting and operational procedures so as to facilitate interbank lending and trading of securities. Further, the National Bank of Cambodia shall implement specialized standards for the examination of banks acting as broker-dealers in securities.

Article 2

A bank is considered to be operating as a securities broker-dealer if it underwrites, trades, or deals in securities. If a repetitive pattern of short-term purchases and sales of securities demonstrates that the bank portrays itself to other dealers or investors as a securities dealer, the bank is trading in securities, regardless of what section of the bank processes the transactions.

Article 3

The coordination of operational and accounting procedure of the National Bank of Cambodia includes the permissibility for designated banks to transfer funds from their current account to current accounts of other banks at the National Bank of Cambodia by initial telephone instruction to the National Bank of Cambodia, followed by call-back reconfirmation. In order to implement this method, transferring banks and their recipient banks must have established a Master Agreement, which shall be previously sent to the National Bank of Cambodia. The Agreement must delineate their desire to enter into such transactions, and the authorizations of respective individual banks.

Additionally, the National Bank of Cambodia will establish a book entry system for government securities when such securities are issued. Similar telephone-call transfer protocols for government securities trading among designated banks would then be established.

Article 4

The National Bank of Cambodia will examine broker–dealer activities in banks practicing securities trading. Examination procedures include board and management oversight, policies and risk limits, record keeping and operational accuracy, trading practices and separation of duties, training and compensation schemes of operators and staff, securities holdings and trading records and any other aspect of operations deemed relevant. Such examination findings may be part of a bank general examination or may be independent of other examination reports.

Article 5

All examination reports issued by the National Bank of Cambodia are the sole property of the National Bank of Cambodia and may not be duplicated or otherwise transmitted without the written consent of the National Bank of Cambodia, unless as provided under law.

Article 6

All provisions contrary to this Prakas are hereby repealed.

Article 7

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall implement this Prakas.

Article 8

This Prakas shall have effect from the signing date

Phnom Penh, 25 December, 2002

The Governor

Signed and Sealed: **Chea Chanto**

No. B-7-011-82 Prokor

PRAKAS
ON
THE IMPLEMENTATION OF RISK-BASED AND FORWARD LOOKING SUPERVISION

****

Article 1

Banking institutions, hereinafter called "Institutions" are required to comply permanently with regulatory requirements. Such permanent compliance can only be achieved through clear policies, appropriate procedures and processes and effectiveness of risk management and control functions. Combinations of major weaknesses alongside with financial risk undertakings can result in leveraged risk profiles and dramatically increase vulnerabilities and jeopardize ability to withstand foreseeable adverse developments. In order to perform comprehensive risk-profile assessments, at banking institution's level and, where applicable, at consolidated level, the National Bank of Cambodia shall implement risk-based and forward-looking supervisory monitoring aimed at anticipating potential adverse developments and at addressing them in a timely manner by issuing adequate injunctions to implement corrective actions required, in a responsive and effective manner.

Article 2

Risk-Based and Forward-Looking Supervision is defined as the permanent supervisory monitoring processes based on risk-profile assessments, examinations' findings extrapolations and stress-testing aimed at identifying a supervised entity's or group's vulnerability factors and weaknesses and anticipating arising supervisory issues and concerns as soon as possible in order to address them swiftly, to prevent from further deterioration of overall financial condition and to strengthen its ability to withstand adverse market conditions through appropriate supervisory actions.

Article 3

The implementation of Risk-Based and Forward-Looking Supervision and Action relies on the periodic performance of comprehensive individual and, where applicable, consolidated risk-profile assessments.

A supervisory risk-profile assessment shall be defined as Comprehensive analysis of a covered institution's condition based on all the data and information made available to the supervisory authority in charge.

Such assessment aims at evaluating all the risks carried by a covered entity namely

solvency, liquidity, credit/counterparty, market and interest rate risk, the quality (effectiveness and independence) of internal controls and audit, risk, business and funding concentration issues, loan portfolio diversification, identification of weaknesses in the institution's ability to withstand adverse business or market developments, risk management organization and effectiveness, staffing, segregation of duties and potential for conflicts of interest, independence of "key" functions such as Internal Audit or Compliance, effectiveness of reporting lines and delegations/accountability procedures and processes, IT infrastructures and processes, Management Information Systems, Corporate Governance and effectiveness of Committees established, Shareholders' support, Contingency Planning addressing major risks, procedures and effectiveness of back-up solutions supported by periodic testing.

Such assessment shall notably allow for early identification of major weaknesses and of potential problems resulting from risk combinations that could result in leveraged vulnerability factors.

Article 4

The National Bank of Cambodia shall make use of stress-testing scenarios and measures as well as of examinations' findings extrapolations to refine its assessments based on the stress metrics. Such stress-tests and extrapolations shall also be made use of to check effectiveness of contingency plans, notably but not limited to for contingency funding plans and solvency restoration plans under adverse circumstances or market developments.

In the performance of its risk-profile assessments, the National Bank of Cambodia shall also consider Board's commitment in reassessing periodically the effectiveness of the risk-taking policies, organization, internal controls' set up and independence. Such reassessments shall notably be performed in case of:

a. major changes in the institution's activity such as in case of undertaking of new activities, risks and transactions,

b. major changes in the corporate structure such as in case of new equity participations or establishment of specialized subsidiaries, and

c. adverse market developments and changes in the competitive environment which shall also lead to address potential weaknesses in contingency planning.

Article 5

Based on the risk-profile assessments, the National Bank of Cambodia shall make forward looking judgment and address swiftly any potential supervisory issue at institution's and, where applicable, consolidated levels. Corrective actions shall be issued swiftly against the banks where so required. Coerciveness of injunctions for effective implementation of

appropriate corrective actions required shall be considered in light of the potential impacts for the financial stability.

Article 6

The National Bank of Cambodia shall consider issuing increased solvency ratio requirements against institutions or groups that would show leveraged risk profiles with significant vulnerability factors and/or that could represent a significant threat to the depositors and to the financial system as a whole.

Such increased solvency ratio requirements are left to the National Bank of Cambodia discretion but shall not exceed 30 (thirty) percent of the minimum solvency ratio requirements applicable to all covered entities.

Article 7

Increased solvency ratio requirements shall only be removed by the National Bank of Cambodia once the reassessed risk-profile is no more of supervisory concern, after considering effectiveness of corrective actions implemented.

Increased consolidated solvency requirements shall be notified in writing to the institution and shall not be part of the information disclosure requirements.

Article 8

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Cashier, General Inspection, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 9

The present Prakas shall take effect from this signing date.

Phnom Penh, 23 February 2011

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-5-09-229 Prokor

PRAKAS

ON

THE IMPLEMENTATION OF THE REPO MASTER AGREEMENT

FOR SECURED INTERBANK TRANSACTIONS IN MONEY MARKET

****

Article 1

The objective of this Prakas is to have the Repo Master Agreement as attached to provide market participants with a secured contractual framework aimed at promoting collateralized interbank lending transactions.

In this Prakas, the word "Repos" referred to the word "Pension" as stated in article 26 of the Law on the Organization and Functioning of the National Bank of Cambodia.

When signing on a Repo Master Agreement, both parties agree to rule all the repo transactions transacted among themselves by the principles set forth under this contractual general agreement, except if otherwise and explicitly stated by both parties to such agreement. In addition, each repo transaction transacted among the parties will have to be confirmed by appropriate means and in writing.

The Repo Master Agreement shall allow for increased flexibility in the management of residual credit risk by netting, where appropriate, the residual risk position at a broader level including all the repo transactions ruled by the Master contract.

Article 2

Under normal circumstances, the Repo Master Agreement shall be essentially viewed as a means to manage counterparty risk exposures by foreseeing a threshold that, if reached or overstepped, would lead the party at risk to require additional collateral either in the form of a securities margin call or through cash margin calls. Where appropriate, and provided that the parties do agree on the modalities, the reduction of the counterparty risk exposure could also be obtained by a combination of both, additional eligible securities supplemented by cash margin calls.

In the absence of event of default, all obligations related to each of the repo transactions ruled by a Repo Master Agreement will have to be fulfilled by parties in accordance with the specific terms of the reciprocal confirmations issued by the two transacting parties.

As such, any individual repo transactions shall be viewed as a combination of two transactions transacted in one. On one hand, the "cash" lending party is performing a loan to the "cash" borrowing counterpart. On the other hand, the "cash" borrowing party is selling, in full property (unrestricted ownership), securities to the "cash" lending bank, with a commitment to repurchase, at an agreed price that is explicitly foreseen in the contract, the same position in scurrilities at maturity. Each leg of a repo transaction shall be viewed as the collateral provided to the other contracting party.

Article 3

The parties to a Repo Master Agreement shall agree upon the securities that will be eligible for transacting repos among themselves. Such eligible securities, depending on market developments, might be subject to a list agreed upon by the parties that shall be considered as a covenant to the Master Agreement.

Such securities which shall fulfill the requirements and comply with the restrictions and prohibitions set forth in the Master Agreement can be subject to price risk, notably due to changes of interest rates in the market. Therefore, the parties shall agree upon a periodicity for the performance of the mark-to-market of the collateral and the price sources to be used for such marks. In addition, the counterparty risk position shall be agreed upon and the corresponding securities and /or cash margin calls confirmed.

The residual risk position being unsecured, market participants are required to establish appropriate policies and procedures as well as adequate processes to monitor and manage their reciprocal risk positions and their confirmation processes.

Article 4

Market participants are required to establish adequate internal control procedures and processes aimed at preventing from failing in the timely execution of their obligations in the course of their transactions. However, should on party fail to settle or to deliver due to operational issues, it shall immediately inform its counterparty of such operational failure and bear the financial consequences arising from its failure to settle or to deliver in a timely manner according to the contractual terms and conditions.

In case of an event of default foreseen by the Repo Master Agreement, the counterparty should notify the defaulting party of the early termination of all transactions ruled by the Agreement and determine the residual claim based on the netting of the mark-to-market of all the reciprocal obligations involved by all the transactions alive at default. Such residual claim shall be produced to the receiver or the liquidator and to the court, depending on the circumstances of such default. Should the residual claim be in favor of the defaulting party as an ultimate residual payment that will substitute for all the netted underlying reciprocal obligations, due to early termination involved by default.

Article 5

In order to ensure opposability of the netting and substitution mechanism involved by the Repo Master Agreement, market participants shall exclusively use the Agreement attached to this Prakas for their transactions.

Article 6

For the implementation of its monetary policy, the National Bank of Cambodia will required that market participants sign on a Repo Master Agreement with the Central Bank prior to transacting such open market or discount transactions.

Article 7

Prior to signing on Repo Master Agreements, market participants shall ensure that they established adequate policies, procedures and internal control processes to mark-to-market, monitor and manage their counterparty risk exposures on the global level involved by such master agreements with their market counterparts.

The National Bank of Cambodia will also issue regulatory guidelines on the accounting entries and the reporting requirements involved by repo transactions and subsequently update its regulatory reporting formats.

Additional guidelines will also be issued by the National Bank of Cambodia for the calculation of risk-weighted positions involved by secured and residual risk positions involved by repo transactions.

Article 8

The Direction General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Bank and Financial Institutions under the supervisory authority of the National Bank of Cambodia shall strictly implement this Prakas.

Article 9

Other previous provisions contrary to this Prakas are hereby repealed.

Article 10

This Prakas shall have effect from the signing date.

Phnom Penh, 19 October 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-5-010-183 Prokor

PRAKAS

ON

THE ISSUANCE OF TRADABLE SECURITIES

BY THE NATIONAL BANK OF CAMBODIA

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Article 1.- General provisions and objectives

The National Bank of Cambodia will issue tradable securities with the following objectives:

- Promoting the development of a money market and interbank lending on secured bases, where the securities issued could serve as collateral for repo-transactions;
- Providing the market participants with alternative liquidity reserve assets supplementing the fixed deposits held with the Central Bank; and
- Establishing additional instruments aimed at supporting the implementation of the Central Bank's monetary and FX currency policies.

At holders' request, such securities can be transferred to any other market participant, provided such participant has been opened a securities and a cash account with the NBC, acting as a custodian for its own securities issued.

Article 2.- Nature and denomination of securities issued

1. The securities will be issued at the subscribers' request as an alternative to fixed term deposits with the National Bank of Cambodia. Such securities will bear interest at a fixed rate determined by the NBC at subscription. Interest will be accrued annual number of days in each year. The coupons accrued over the life of the securities will be paid with the nominal to the regular holder of securities at redemption date (maturity) under the provisions set forth in article 6.2, below.
2. The securities are dematerialized and therefore need to be deposited in a custodian account to be opened with the National Bank of Cambodia by the subscribers prior to subscription. The Authorized signatures for transferring and subscribing such securities shall be deposited with the National Bank of Cambodia.
3. Subscriptions will be confirmed by confirmations to be issued by the National Bank of Cambodia. Holdings of such securities will also be regularly reflected by securities accounts statements.
4. The National Bank of Cambodia securities will be issued in both, KHR (Khmer Riels) and USD (US dollars). Such securities shall be identified by securities' serial number and identification number within the series, nominal amount, currency, interest rate and maturity.
5. The Securities issued in domestic currency (KHR) will be available for following maturities: 2 weeks, 1 month, 2 months, 3 months, 6 months, 9 months and 1 year. The securities issued in US dollars (USD) will be available for following maturities: 2 weeks, 1 month, 2 months, 3 months and 6 months. The NBC will determine the denominations of the securities on the issuing date.

Article 3.- Custody and registration of the securities

1. As mentioned earlier in Article 2, paragraph 2, the securities will be dematerialized. They need to be deposited in a nominative custodian account opened with the NBC.

2. Registration formalities and ownership transfers will be performed by the National Bank of Cambodia.

Article 4.- Ownership of securities

1. The ownership of dematerialized securities is evidenced by regular inscription on the owner's custodian account held with the National Bank of Cambodia, acting as both issuer and custodian.

   Any change in ownership needs therefore to be notified to the National Bank of Cambodia that will confirm the transfer to both, seller and purchaser of the securities.

2. The sole confirmation issued by the National Bank of Cambodia to the purchaser shall not and cannot be considered as a tradable property title and shall therefore not be endorsed by market participants for the purposes of property transfer of the transacted securities.

   Such ownership transfer can only be legally performed by the National Bank of Cambodia at reception of according instructions issued by both parties to a straight forward sell-purchase transaction or to a collateralized transaction, notably in the form of a repo or a pledge as collateral.

Article 5.- Repo-transactions

1. Securities issued by the National Bank of Cambodia are eligible to repo transactions transacted in the Money Market. However, to ensure for legal and contractual security of such transactions, market participants are required to sign on the National Bank of Cambodia Repo Master Agreement.
2. Repo transactions transacted in the money market shall, in principle, involve that adequate steps be taken by both parties instructing the National Bank of Cambodia to operate the ownership transfer of the securities sold under repurchase agreement.
3. For very short period of times, parties to a repo transaction might not be willing to instruct the National Bank of Cambodia to operate the transfer of ownership of the securities sold under repurchase agreement. In this case, the securities seller (cash borrowing party) shall act as a sub-custodian on behalf of the securities purchaser (cash lending party) and account for such securities subsequently in order to evidence the ownership transfer.
4. Repo-transactions might be transacted in different currencies according to the parties' bilateral agreements. In this case, the currency risk shall be supported by the cash borrowing party (securities' seller committed to repurchase at a pre-agreed price). In addition, the counterparty risk exposures involved by currency rate moves shall be monitored and, where applicable, covered by cash margin calls.

Article 6.- Confirmations and Transfer

1. Purchase confirmations issued by the National Bank of Cambodia do not incorporate the ownership of the securities purchased. Therefore, such confirmations shall not be considered as certificates that could be endorsed by market participants since such endorsement will not incorporate the possession right about the securities.
2. The securities issued by the National Bank of Cambodia being dematerialized, the ownership results from the regular inscription of such securities in a custodian accounts held with the Central Bank. At maturity date, the nominal amount invested as well as the accrued coupon will be automatically transferred to the current account

held with the National Bank of Cambodia that is associated to the custodian account. However, should a market participant intend to reinvest all or part of the redemption amount, the National Bank of Cambodia will have to be instructed consequently two working days before maturity date.

3. At issuance of the securities, the National Bank of Cambodia will, at reception of written purchase confirmations signed on by duly authorized signatures, automatically debit the current account associated to the custodian account of the holder in which the securities will be deposited, at value date specified on the instruction. Purchasers and participants in the auctions shall ensure that they hold sufficient balances in their accounts to pay for the securities purchased or attributed to their bids.
4. To perform the transfer of ownership of securities sold and repurchased by means of repo transactions, the National Bank of Cambodia will require two regular instruction confirmations in writing issued by both parties to such repo transactions. To prevent from undue delays, the parties are required to confirm their instructions among themselves and to ensure that both confirmations are fully accordant.
5. In the course of any repo transactions should the parties agree to settle cash margins or to deliver additional securities margins the parties are required to issue to the Central bank two accordant instruction confirmations in compliance with the provisions set forth in paragraph 4, above.
6. Should two parties decide to perform a straight forward sale and purchase of securities issued by the National Bank of Cambodia they shall instruct both the Central Bank to perform the transfer of the sold / purchased securities and to settle the cash payment by specifying value date and transaction price. The characteristics of the securities sold / purchased shall be clearly specified on the instructions forwarded in writing by both parties to such transaction.

Article 7.- Overnight secured facilities and Discount window

1. Under conditions to be determined by Prakas to be issued by the National Bank of Cambodia, the securities issued will be eligible to the secured overnight facilities aimed providing the market participants with some flexibility to cover their negative clearing balances. Such overnight facilities shall not be considered as a regular funding source by clearing members and shall be granted at a penalty rate published by the National Bank of Cambodia.
2. Overnight facilities shall be secured by an equivalent or higher nominal amount in securities regularly owned by the clearing participant. The transfer of ownership of the collateral will be performed after confirmation of such facilities to the beneficiaries and at the initiative of the National bank of Cambodia. The restitution of the securities will also be performed next day at the Central Bank’s initiative after reconstitution of a positive cash balance on the clearing account.
3. For temporary and short term liquidity needs, the securities held by market participants will be eligible to the liquidity window. Such transactions shall be pre-approved by the National Bank of Cambodia and shall be granted for periods of time ranging between two working days and two weeks. Access to the Discount Window shall not substitute for overdraft facilities that are of different nature. The access to the central bank discount operations will be conditioned by the effective availability of eligible securities. The list of eligible securities for discount will be updated and published by the National Bank of Cambodia as well as the applicable discount rates.

4. The transactions performed within the Discount Window shall be supported by the signature of a Repo Master Agreement between the National Bank of Cambodia and the beneficiary. The designated and approved upon securities will be transferred at the initiative of the National Bank of Cambodia at both, initiation and maturity of the transactions.

Article 8.- Open Market Operations and Auctions

1. Alongside with the regular subscriptions of securities issued by the National Bank of Cambodia at the applicable rates, the latter might organize auctions whereby a pre-defined amount of securities targets would be auctioned to the qualifying bids made by the participants to the process.
2. Such auctions will be organized to support the effective implementation of the National Bank of Cambodia's open market operations, the fine tuning and the achievement of its monetary and foreign exchange policies targets.

Article 9.- Participants to the Auctions and Implementation of Open Market Operations

1. The organization and conditions for participating in the auctions organized by the National Bank of Cambodia will be specified in circulars specific to each auction to take place at its initiative with the aim of inviting the participants referred in paragraph 2 below to submit their bids.
2. The auctions will be opened to regular money market participants. However, at the National Bank of Cambodia's discretion, such auctions might be opened to other participants, such as foreign-exchange auctions' participants, securities firms and other financial institutions. The participants invited to the auctions shall be specified in the invitation circulars addressing each of the auctions organized by the NBC, alongside with other information deemed necessary or appropriate for the preparation and submission of the bids.

Article 10.- Eligibility of NBC Securities as a collateral for the Real Time Gross settlements (RTGS) System

The securities issued by the National Bank of Cambodia will be eligible as a collateral in order to secure the processing of the RTGS. The modalities for the regular constitution of such collateral will be addressed by a Prakas on the operations of the RTGS System.

Article 11.-

The General Director, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 12.-

The present Prakas shall take effect from its date of signature.

Phnom Penh, 15 October 2010

The Governor

Signed and Sealed: **Chea Chanto**

Nº B5-03 -007 Prokor

PRAKAS

ON

TERM DEPOSIT INTEREST RATE DETERMINATION

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Article 1:

To determine rate of term deposit in Riel and Dollar for clients except public institutions who have deposits in the National Bank of Cambodia as below:

a. Deposit rate in Riels

– 3 months deposits	1.00% per year
– 6 months deposits	1.20% per year
– 1 year deposits	2.00% per year

b. [Replaced by Article1 of Prakas B5-09-011 dated 19 January 2009].

Article 2:

The interest rate referred in Article 1 has to be implemented from January 15, 2003 until the next modification.

Article 3:

All previous provisions contrary to this Prakas are hereby repealed.

Article 4:

The Directorate General, the Secretariat General, the Inspection General, the Cashier General, all departments and branches of the National Bank of Cambodia, and banking and financial institutions shall strictly implement this Prakas.

Article 5:

This Prakas shall have effect from the signing date.

Phnom Penh, 09 January 2003

The Governor

Signed and Sealed : **Chea Chanto**

Nº B5-09-011 Prokor

PRAKAS

ON

THE DETERMINATION OF INTEREST RATE ON FIXED DEPOSIT, RESERVE REQUIREMENT AND CAPITAL GUARANTEE IN USD

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Article 1:

Interest rate on 1 month, 3 month, 6 month and 1 year fixed deposits of banks and financial institutions with the National Bank of Cambodia is ½ of SIBOR (Singapore Inter-Bank Offered Rate)

Article 2:

Interest rate on Reserve Requirement with interest bearing, is ½ of SIBOR calculated on a monthly basis.

Article 3:

Interest rate on Capital Guarantee is ¼ of SIBOR calculated on a six month basis.

Article 4:

All previous provisions contrary to this Prakas are hereby repealed.

Article 5:

The Directorate General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Bank and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6:

This Prakas is effective from the signing date.

Phnom Penh, 19 January 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B7-09-213 Prokor

PRAKAS

ON

THE LIBERALIZATION OF INTEREST RATE SETTINGS

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Article 1:

Banks and Financial Institutions have the right to determine interest rates on deposits and interest rates on loans both in the local currency and in foreign currencies according to each institution's ability and interest rate policy.

Article 2:

At the end of each month, banks and financial institutions must report in writing to the National Bank of Cambodia on the average interest rates as applied to deposits and loans.

Article 3:

Prakas No B 5-95-47 Prokor dated 16 March 1995 on the Liberalization of Interest Rates Setting is hereby null and void.

Article 4:

The Directorate General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Bank and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 5:

This Prakas is effective from the signing date.

Phnom Penh, 09 September 2009

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-9-98-411 Prokor

PRAKAS

ON

MONEY TRANSFER OF COMMERCIAL BANKS THROUGH

THE NATIONAL BANK OF CAMBODIA

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Article 1:

Stop issuing visa to commercial banks for the export cash in US dollar by allowing the transfer through the National Bank of Cambodia

Article 2:

Commercial banks who have intention to transfer cash in US dollar outside the Country shall to have prior authorization from the National Bank of Cambodia (Exchange Management Department).

Article 3:

Service charge in money transfer shall be informed by the announcement issued by the General Directorate of the National Bank of Cambodia accordingly to the demand of the cash in US dollar for any period

Article 4:

All Prakas or regulation whose terms are not acceptable to this Prakas, especially the Prakas Nº B7-98-366 Prokor dated 15 June 1998 and Prakas Nº B9-98-386 Prokor dated 23 July 1998 shall hereby be repealed.

Article 5:

The General Secretariat, General Directorate, General Cash, General Inspection, all departments units and all commercial banks under the responsibility to the National Bank of Cambodia are obliged to abide by the present Prakas

Article 6:

This Prakas comes into force from the date of this signature.

Phnom Penh, 19 August 1998

The Governor

Signed and Sealed: **Chea Chanto**

Nº B-5-00-150 Prokor

PRAKAS

ON

US DOLLARS DENOMINATED CHECK CLEARING HOUSE

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Chapter 1
General Provisions

Article 1:

1. To create the Clearing house in US Dollars denominated Checks (hereinafter called Clearing house) in order to provide improved service to clients of the banking system in the country for the daily exchange of checks denominated in US Dollars, among participating banks, and for settlement of accounts on the books of the National Bank of Cambodia to pay for those exchanges.
2. To set up the Clearing house Regulation (hereinafter called Regulation) which establishes the terms and conditions applicable to this service as following articles.

Article 2: Participants:

1. Banks who have intention to be participants of the Clearing house may submit applications for participation (Annex **I).** Such banks if qualified, will be approved for participation by the National Bank of Cambodia on the first business day of the next month. The Clearing house participants are listed in Annex **II.**
2. Banks who are not participants may be represented in the Clearing house on their behalf by approved participants for purposes of clearing and settlement of US Dollar checks. This relationship shall be announced and approved by letter of the National Bank of Cambodia.

Article 3: Qualifications for participation

1. A Company licensed by the National Bank of Cambodia as a commercial bank may apply for application. The application form includes:

   - a formal request signed by Bank Manager or an authorized official,
   - a certified copy of the license issued by the National Bank of Cambodia,
   - a Designation Letter and Specimen of Signatures.

   Additionally, participating banks must:

   - maintain a current account and a required reserve account denominated in US Dollars at the National Bank of Cambodia, and
   - pay a fee for the service as determined by the National Bank of Cambodia.

2. The bank submitting an application shall operate at least one licensed office within Phnom Penh.

Article 4: Departure from participation

1. A bank whose license to conduct the banking business is withdrawn by the National Bank cannot participate in the Clearing house.
2. A bank may voluntarily withdraw from the Clearing house, provided it has made suitable arrangements with another bank to handle checks on its behalf in an acceptable manner approved by letter of the National Bank of Cambodia.

Article 5: Settlement Bank

The National Bank of Cambodia is responsible for preparing a daily report of the total amounts in US Dollars for payments brought to, and received from, the Clearing House for exchange and determining the net amounts to be debited or credited to the individual accounts of the participating banks.

Article 6: Management

1. The National Bank of Cambodia shall designate the Chairman of the Clearing house who will be in charge of its operations. The Chairman may delegate the supervision and control of the daily function to a Clearing house Leader. Both the Chairman and the Leader will be employees of the National Bank of Cambodia.
2. In the event of any dispute arising between representatives of participating banks, when delivering or accepting payments or in connection with settlement amounts due to or from participants, the decision of the Clearing house Leader shall be accepted temporarily, subject to ratification by the Chairman. In the event the dispute continues after settlement, it shall be resolved directly between the banks concerned.

Article 7: The Operations Committee

1. The business of the Clearing house may be augmented by an Operations Committee consisting of one representative of each participating bank, and presided over by a Chair selected by the participants. The Chair shall serve a term of one year. Subsequent leaders will be nominated and elected by the participants in the Clearing house.
2. The Operations Committee functions are to assist the Clearing house Leader by:
   - suggesting improvements in operations,
   - disciplining the behavior of their representatives if required, and
   - performing such other duties as may be assigned to it by either the National Bank of Cambodia or the Committee.
3. The Operations Committee shall meet at least four times each year. Additional meeting may be called at any time or upon written request of at least two participants. The request must specify the business to be discussed.

Article 8: Modifications to Regulation

The terms and conditions of Clearing house Regulation may be modified from time to time as determined by the National Bank of Cambodia or in agreement with the Operations Committee. Additionally, the Bank may extend the Clearing house operation to other cities of the country, add other services, and conduct additional sessions, as it deems necessary to improve the payment system of the country.

Chapter 2 Definitions

Article 9: The terms used in Regulation have the following meanings:

1. *Business day* means Monday through Friday or any additional day which the Bank has designated to be open for business. Business days exclude all public holidays.
2. *Clearing House* means the facility maintained by the Bank at its office in Phnom Penh.
3. *Payment* or *item* means a check drawn on a current account in a financial institution. A check is an order by an account holder of a bank to pay funds from that account to a beneficiary.
4. *Returned* or *unpaid item* means a check dishonored by the receiving participant for any of the reasons listed in Annex **III.** Checks are not deemed to be finally paid with funds disbursed in cash to a beneficiary until the applicable returned item session is closed.
5. *Eligible items* which may be presented to the Clearing house include:

   a.- bank checks and drafts drawn by third parties payable to third parties, in US Dollars on Phnom Penh offices of licensed banks,
   b.- such checks drawn on the National Bank of Cambodia,
   c.- other debit items designated by the National Bank of Cambodia as eligible.

   Checks must be drawn on the approved forms supplied by the banks, which comply with any applicable standards set by the National Bank of Cambodia. Checks may be drawn in Khmer, English, or French.

6. *Participant* means a bank that has agreed to participate in the Clearing house under the terms and conditions of Regulation.
7. *Participation* means attending the daily Clearing house meeting. Participants are expected to attend sessions whether or not they have checks to present to other participants.
8. *Receiving participant* means, with respect to any check, the participant that receives that payment through the Clearing house. This participant also may be referred to as the *Paying Bank.*
9. *Sending Participant* means, with respect to any payment, the participant that sends an item through the Clearing house.
10. *Books* means the accounting records maintained by a bank for its clients and current accounts of the National Bank of Cambodia maintained for such banks.
11. *Posting* means the debiting of a customer account for a check by the receiving bank.
12. *Settlement* means the entry of a net debit or credit to the clearing account of a participating bank for the daily clearings. All settlements shall be provisional and may be revoked with respect to any payment that has been dishonored by a Receiving Participant and returned as provided for in Regulation.
13. *Routing Number* means the identification number of the participant as listed in the

Directory of Bank Routing numbers maintained by the National Bank of Cambodia. The routing number is used to sort payments among the participants in the Clearing house. The routing number must be printed in the proper location on a check in accordance with National Bank of Cambodia standards.

14. *Session* means a meeting of the Clearing house participants to exchange checks with each other. The principal session will occur at 10:00 a.m., and a secondary session for returned checks at 3:00 p.m. However, the Chairman may decide to hold additional sessions in a given day if deemed necessary.
15. *Clearing Account* means the account maintained by each participant at the National Bank of Cambodia for settlement of its daily obligation at the Clearing house. It is used for settlement of Clearing house obligations by any participant.
16. *Reserve Requirements Account* means the account maintained by each participant at the National Bank of Cambodia to comply with Prakas on the Reserve Requirements elaborated by the National Bank of Cambodia. It cannot be used for settlement of Clearing house obligations by any participant.
17. *Deposit Guaranty Account* means the account maintained by each participant at the National Bank of Cambodia a Capital Guaranty Deposit of 10 percent of their registered Capital. It cannot be used for settlement of Clearing house obligations by any participant.

Chapter 3
Sending Bank's Responsibilities

Article 10: Banks are expected to utilize the Clearing house to send payments to other participants. Any bilateral exchanges of payments other than at established clearing house meeting times is permitted only upon mutual and specific agreement between the appropriate clearing house participants.

Article 11: Sending participants must:

1. Authorize and identify sendings

All checks must bear the stamp of the sending participant, and the date of sending on the reverse side of each item.

2. Prepare sending properly

Each sending participant shall prepare list of checks in duplicate (Form PPC001) on which shall be shown the individual check amounts and the total value of checks drawn on the other participants. Example of all forms appears in Annex **IV.** One list shall be prepared for each other participant showing the total value and number of checks presented to them;

i. drawn on the Phnom Penh offices of each other participant, and

ii. Returned unpaid and ineligible items.

Each sending participant may deliver a computer file (diskette) in the prescribed format containing the worksheet of Form PPC001.

3. Attend regular Clearing house meetings

Checks are to be brought to the Clearing house at or before the prescribed hour on each business day. A participant whose representative arrives more than five minutes after the prescribed Clearing house session may be excluded from that session by the Clearing Leader. A participant who is excluded from a clearing session shall not present his items to the other participants. He shall however, be compelled to accept and his account be debited for the checks which other participants deliver to him.

4. Authorize debit to account for payments returned

Each sending participant, by its act of sending payments to the Clearing house, authorizes the Bank to debit its current account for the subsequent return of dishonored payments by a receiving participant.

5. Retain records

Sending Participants must retain all pertinent records necessary to reconstruct any shipment or individual payment for one year beyond the date of original presentment. This does not imply, however, an obligation to research, provide customer contact, or resolve any adjustment for a particular payment later than this time.

Chapter 4
Receiving Banks' Responsibilities

Article 12: Receiving Banks are expected to pick up any checks made available to them at the Clearing house each day, including any dishonored checks as noted in Article **11.** Checks made available to a receiving participant which are not picked up by such participant because he has failed to attend the clearing house session or has been excluded because of tardy arrival on that day are deemed to have been delivered on that day for purposes of settlement and timely return of any dishonored checks.

Article 13: Receiving Participants must:

1. Certify acceptance

The receiving participant shall sign the copy of the list on PPC 001 to acknowledge receipt of the checks at the Clearing house. Each receiving participant shall sign a copy of PPC 002, prepared by the National Bank of Cambodia or a printout containing all Forms 002 as an acknowledgment of his agreement with the amount to be debited or credited to his clearing account as result of the clearing session.

2. Settle for or return payments

Payments remain the property of sending participants until they have been settled for or returned. Receiving participants hold payments in trust until they have received credit from the drawer of the payment by charging that client account on

its books. Receiving participants are expected to keep adequate funds in their National Bank of Cambodia clearing accounts to pay for their obligation in daily settlements.

3. Return unpaid or dishonored payments

i. General Provision

Unpaid or dishonored checks are to be returned by sending through the Clearing house. Receiving participants must note conspicuously on each returned check, the cause for return using an approved reason as listed at Annex **III,** and the name of the receiving participant.

ii. Timely Return

Any check presented through the clearing house shall be deemed to be returned timely, and the receiving participant shall not be held accountable for such payment, if it is returned no later than the 3:00 p.m. clearing session on the same day of settlement. Checks are not to be considered as finally paid, with disbursement in cash, until after the close of the applicable return item session.

iii. Settlement for Returns

Receiving participants must return the unpaid payment clearly marked as a "RETURN ITEM" in the prescribed format. The amount will be deducted in the net settlement amount for the receiving participant (Form PPC 001).

iv. Expiration of Return privilege

Checks may be dishonored and returned on two occasions only. Checks remaining Unpaid after the second dishonor must be handled outside of clearing house channels by collection directly between the banks involved.

4. Retain records

Receiving participants must retain computer file (diskette) or paper listings, and any other Associated evidence necessary to reconstruct records for any Clearing house transaction for one calendar year beyond the date of receipt. Receiving participants are under no obligation however, and may as a courtesy, assist sending participants in resolving inquiries about transactions which occur after the mandatory records retention period has expired.

5. Return all unposted checks in event of default

In the event a participant is unable to provide adequate funds in its current account with the National Bank of Cambodia for the daily settlement and is declared insolvent by the Banking Supervision Department, the National Bank of Cambodia will so inform other participants and request the defaulting participant to immediately return all unposted payments in its possession to the

National Bank of Cambodia. The National Bank of Cambodia will then return such payments to the participant that originally sent them to the Clearing house for payment.

6. Assure customers mandate

Members are reminded that:

i. Debit to customer's account requires the customer's mandate. A check bearing a forged signature is lacking such mandate and cannot normally be debited to a customer's account; and
ii. A holder or endorser of a check may not be able to acquire good title to an instrument bearing a forged endorsement. Participants should therefore only accept checks from persons who are known to them or have been properly identified.

Chapter 5
National Bank of Cambodia Responsibilities

Article 14: The National Bank of Cambodia is a participant of the Clearing house and can receive and send checks to the same extent as any other participant for drawn or payable to the National Bank of Cambodia. In addition, the Bank provides facilities for the Clearing house meeting and settles accounts on its books for the participants.

Article 15: Preparation of forms

The Clearing Leader shall electronically prepare Form PPC 002, and PPC 003, as shown in the Annexes by incorporating participant's computer worksheets (PPC001) from the diskette brought to the clearing session.

Article 16: Settlement

1. Settlement will be completed each business day by debiting and crediting current accounts maintained by participant with National Bank of Cambodia. When the total amount of the checks presented exceeds the total amount received, the participant’s account will be credited. When the total amount of checks received exceeds the total amount presented, the participant' s account will be debited. When the Clearing Leader is satisfied that the clearing settlement form is balanced he shall sign a copy or a print-out of each participant's Form PP002 as an advice of debit or credit to that participant's clearing account. He shall then announce that the session is closed. No participant shall leave the session before the announcement of the closure.
2. In the case that the receiving participant has insufficient funds in its clearing account for settlement, it will have 2 hours to arrange for funds from another bank to be deposited into its clearing account at the National Bank of Cambodia. This will be the primary and expected source of funds for settlement.

Article 17: Balances maintained at National Bank of Cambodia

Participants authorize the Bank to charge to their accounts at the National Bank

of Cambodia any debit amounts that they may occur as a result of clearing checks, and must maintain funds in these accounts adequate to cover such debits. As a prudential measure, the National Bank of Cambodia may require banks to maintain adequate unencumbered deposits of foreign currencies in accounts abroad to cover their largest net debit exposure incurred during the previous calendar quarter.

Article 18: Failure to Settle

1. If the participant does not provide for its net debt obligation in the clearing house within the 2 hours allowed, the Clearing house Leader will inform the Chairman of the circumstances, who will determine corrective measures. If the participant is declared "in default" by the National Bank of Cambodia, the Chairman will so inform the other participants. The session will not be declared closed until the all accounts have been successfully debited on the day of clearing.
2. In the case default is announced during the session, the National Bank of Cambodia shall "unwind" the settlement, i.e. reverse the credit given that paying bank for its payments brought to the clearing house and the debit against it for payments brought by other banks, and recalculate the net positions of all participants accordingly. New forms shall be prepared by the Clearing Leader to reflect the new positions of the Participants. The defaulting bank will not be permitted further access to the Clearing house.

Article 19: Limit of liability

The National Bank of Cambodia shall not any way be responsible or liable in the event a participant incurs a loss in connection with participant in the clearing house, except in case of the Bank's own negligence or misconduct. It is understood and agreed that all claims on account of missorting, untimely return, failure to return, default by a participant, etc. shall be resolved directly between the participants except insofar as they agree to use the National Bank of Cambodia books to post the transactions. The Bank shall, however be accountable pursuant to the terms and conditions of Regulation for its own items entered for clearing and settlement in the same manner as any other participant.

Chapter 6
Miscellaneous Provisions

Article 20: Address for Notices

1. Any written notice to the Clearing house as required by Regulation shall be addressed as follows:

   Chairman

   US Dollars Net Settlement Clearing House

   National Bank of Cambodia

   22-24 Norodom Blvd.

   P.O. Box 25

   Phnom Penh, Cambodia

2. Any written notice between and among participants required under Regulation should be addressed to designated locations specified from time to time by the participants. Properly addressed notices shall be effective when received or at the expiration of a fixed schedule in such cases where advance knowledge is necessary.

Article 21: Authorized representatives

Participants shall provide a list of authorized representatives together with specimen of their signatures to the address above in Article **20.**

Article 22: Governing Law

The transactions covered by Regulation shall be subject in all respects to the laws of Kingdom of Cambodia and all other applicable published regulations of the National Bank of Cambodia.

Article 23: Emergency conditions

[Conduct of daily clearing operations may be delayed within a business day or deferred to a later day in the event that participants are unable to attend due to adverse conditions as may be attributable to weather, loss of power or communications, or other major disruption in the city or country. In such circumstances, the National Bank of Cambodia will provide explicit instructions to the participants regarding to the procedures to be followed for entries applicable to the clearings or returns. However, individual participants should prepare for disruptions in their own facilities and are responsible for maintaining contingency plans and alternate processing sites with necessary equipment to continue operations for the duration of the emergency.

Article 24: Statistics

The National Bank of Cambodia shall compile and publish monthly statistics of the number and value of checks exchanged on daily basis throughout the month, including information on returned checks (unpaid checks). The statistical series shall compare monthly averages for the current and past years. Information on an individual bank's clearing shall not be published, except to that bank.

Article 25: All former Regulations that contradict with this Prakas shall be abrogated.

Article 26: The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Department of the National Bank of Cambodia and Commercial banks members of the US Dollars Net Settlement Clearing house shall strictly implement this Prakas.

Article 27: This Prakas shall have effect from this signing date.

Phnom Penh, 14 November 2000

The Governor

Signed and Sealed**: Chea Chanto**

Annex I-A

KINGDOM OF CAMBODIA

NATION RELIGION KING

******

Application for Participant of the Clearing house

Name: .....
Position: .....
Address: .....
.....
Postal Address: .....
Telephone: .....

To: **The Chairman of the US Dollars Net Settlement Clearing house**

According to what the Prakas No.. of ..../..../ 2000 on US Dollars Net Settlement Clearing house has been understood, and in order to facilitate the use of Checks denominated in US Dollars among our bank and other commercial banks in Phnom Penh,

We respect for elders to you to allow our bank attending as Participant of the US Dollars Net Settlement Clearing house.

Attached Documents:

- A copy of banking license 1 copy
- Designation Letter and Specimen of Signatures 3 copies

We strictly intend to comply with the above Prakas.

Very truly yours, Phnom Penh, ...

Signature

Annex I-B

KINGDOM OF CAMBODIA
NATION RELIGION KING

BANK .....

Designates the Names and Specimen of Signatures of our bank Liaison Officers who have been authorized to sign on our formally written proof and other clearing evidence at the National Bank of Cambodia to complete the Net Settlement Clearing house service.

a./- Clearing House Committee:

Bank Manager Name:		
Authorized Person Position: ..... Name:		

b./- Representative Participant in the Clearing Session:

Representative Position: ..... Name:		
Authorized Person Position: ..... Name:		

We will newly designate the others, while the above Officers have been removed.

Phnom Penh, ……
Signature

This Specimen of signatures is valid from
……to……..
Phnom Penh,
Chairman of the Clearing house

Annex II [1]

LIST OF
US DOLLARS NET SETTLEMENT CLEARING HOUSE
PARTICIPANTS

No.	BANKS' NAME	ABBREV.	ROUTING No.
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

[1] This list of banks will be only recorded to reflect banks that are approved for participation in the clearing house by the NBC.

Annex III

Agreed reasons for return of checks by member banks

I. Insufficient or no funds
II. Funds not cleared
III. Payment Stopped
IV. Post dated and improperly-dated
V. Out-of-date (more than six months old)
VI. Words and figures differ
VII. Amount in words required
VIII. Drawer's signature differs- from sample signature
IX. Drawer's signature required
X. Drawer's signature required from alteration
XI. Not drawn on bank's form
XII. Mutilated check
XIII. Account closed
XIV. No account
XV. Drawer deceased
XVI. Drawer bankrupt / in liquidation
XVII. Seal required (in case has mentioned in the specimen)
XVIII. Freeze account

ANNEX IV

FORM PPC001: LISTING OF INDIVIDUAL CHECKS BROUGHT TO THE CLEARING HOUSE

US DOLLARS NET SETTLEMENT CLEARING HOUSE

Items presented by ..... to .....

Date ...../..../....

	Cheque No.	Amount in US Dollars		Cheque No	Amount in US Dollars
1			36		
2			37		
3			38		
4			39		
5			40		
6			41		
7			42		
8			43		
9			44		
10			45		
11			46		
12			47		
13			48		
14			49		
15			50		
16			51		
17			52		
18			53		
19			54		
20			55		
21			Total – New Items		
22					
23			Returned Items		
24					
25				Cheque No	Amount in US Dollars
26					
28			1		
29			2		
30			3		
31			4		
32			5		
33			6		
34			7		
35			8		
	Sub-Total:			Total-returned Items	
		Total – New and Returned Items			

For Clearing House use
Signature

FORM PPC001: US DOLLARS NET SETTLEMENT CLEARING HOUSE

US DOLLARS UNPAID CHEQUES STATEMENT

Cheques from Clearing of: .....(Date)
From .....
To .....
Date: .....

No.	Cheque		Amount in US Dollars
Total:			

This Cheque shall be listed in the Session of Form PPC001 date: .....
reserved for returned / unpaid items.

Signed “for Presented Bank” .....

Signed “for Receiving Bank” .....

FORM PPC002: SUMMARY LISTING, BY BANK, OF CHECKS BROUGHT TO THE CLEARING HOUSE

US DOLLARS NET SETTLEMENT CLEARING HOUSE

Items presented by..... "Bank' Name ....."Debit Acct: .....

At ....."Time" Session Date: ..../... ./....." Credit Acct:.....

No	Bank No.	Bank	Cheques presented to "Funds Due to sending Banks"	No.	Cheques received from "Funds Due to other Banks"	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	Total							

Signed (for Presented or receiving Bank).....

Singed (for National Bank of Cambodia).....

FORM PPC003: SETTLEMENT LISTING OF CHECK BROUGHT AND CHECKS

RECEIVED BY BANK

US DOLLARS NET SETTLEMENT CLEARING HOUSE

At ..... "Time" Session Date: ..../... ./.....

No	Bank No.	Bank	Cheques presented to "Funds Due to from"	No.	Cheques received from "Funds Due to"	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	Total							

Singed (for National Bank of Cambodia)…….

Nº B-5-00-170 Prokor

PRAKAS
ON
KHMER RIEL DENOMINATED CHECK CLEARING HOUSE

****

Chapter 1
General Provisions

Article 1:

To set up the regulations on the Riel (KHR) denominated checks' Clearing house which establishes the terms and conditions applicable to the daily exchange of checks among participating banks for settlement of accounts on the books of the National Bank of Cambodia to pay for those exchanges, as following articles.

Article 2: Participants:

1. Banks who have intention to be participants of the Clearing house may submit applications for participation (Annex I). Such banks if qualified, will be approved for participation by the National Bank of Cambodia on the first business day of the next month. The Clearing house participants are listed in Annex II.
2. Banks who are not participants may be represented in the Clearing house on their behalf by approved participants for purposes of clearing and settlement of checks. This relationship shall be announced and approved by letter of the National Bank of Cambodia.

Article 3: Qualifications for participation

1. A Company licensed by the National Bank of Cambodia as a commercial bank may apply for application. The application form includes:

   - a formal request signed by Bank Manager or an authorized official,
   - a certified copy of the license issued by the National Bank of Cambodia,
   - a Designation Letter and Specimen of Signatures.

   Additionally, participating banks must:

   - maintain a clearing account denominated in riel at the National Bank of Cambodia, and
   - pay a fee for the service as determined by the National Bank of Cambodia.

2. The bank submitting an application shall operate at least one licensed office within Phnom Penh.

Article 4: Departure from participation

1. A bank whose license to conduct the banking business is withdrawn by the National Bank cannot participate in the Clearing house.

2. A bank may voluntarily withdraw from the Clearing house, provided it has made suitable arrangements with another bank to handle checks on its behalf in an acceptable manner approved by letter of the National Bank of Cambodia.

Article 5: Settlement Bank

The National Bank of Cambodia is responsible for preparing a daily report of the total amounts in US Dollars for payments brought to, and received from, the Clearing House for exchange and determining the net amounts to be debited or credited to the individual accounts of the participating banks.

Article 6: Management

1. The National Bank of Cambodia shall designate the Chairman of the Clearing house who will be in charge of its operations. The Chairman may delegate the supervision and control of the daily function to a Clearing house Leader. Both the Chairman and the Leader will be employees of the National Bank of Cambodia.
2. In the event of any dispute arising between representatives of participating banks, when delivering or accepting payments or in connection with settlement amounts due to or from participants, the decision of the Clearing house Leader shall be accepted temporarily, subject to ratification by the Chairman. In the event the dispute continues after settlement, it shall be resolved directly between the banks concerned.

Article 7: The Operations Committee

1. The business of the Clearing house may be augmented by an Operations Committee consisting of one representative of each participating bank, and presided over by a Chair selected by the participants. The Chair shall serve a term of one year. Subsequent leaders will be nominated and elected by the participants in the Clearing house.
2. The Operations Committee functions are to assist the Clearing house Leader by:

    - suggesting improvements in operations,
    - disciplining the behavior of their representatives if required, and
    - performing such other duties as may be assigned to it by either the National Bank of Cambodia or the Committee.

3. The Operations Committee shall meet at least four times each year. Additional meeting may be called at any time or upon written request of at least two participants. The request must specify the business to be discussed.

Article 8: Modifications to Regulation

The terms and conditions of Clearing house Regulation may be modified from time to time as determined by the National Bank of Cambodia or in agreement with the Operations Committee. Additionally, the Bank may extend the Clearing house operation to other cities of the country, add other services, and conduct additional sessions, as it deems necessary to improve the payment system of the country.

Chapter 2

Definitions

Article 9: The terms used in Regulation have the following meanings:

1. *Business day* means Monday through Friday or any additional day which the Bank has designated to be open for business. Business days exclude all public holidays.
2. *Clearing House* means the facility maintained by the Bank at its office in Phnom Penh.
3. *Payment* or *item* means a check drawn on a current account in a financial institution. A check is an order by an account holder of a bank to pay funds from that account to a beneficiary.
4. *Returned* or *unpaid item* means a check dishonored by the receiving participant for any of the reasons listed in Annex III
5. *Eligible items* which may be presented to the Clearing house include:
    a. bank checks and drafts drawn by third parties payable to third parties, in riel on Phnom Penh offices of licensed banks,
    b. such checks drawn on the National Bank of Cambodia,
    c. other debit items designated by the National Bank of Cambodia as eligible. Checks must be drawn on the approved forms supplied by the banks, which comply with any applicable standards set by the National Bank of Cambodia. Checks may be drawn in Khmer, English, or French.
6. *Participant* means a bank that has agreed to participate in the Clearing house under the terms and conditions of Regulation.
7. *Participation* means attending the daily Clearing house meeting. Participants are expected to attend sessions whether or not they have checks to present to other participants.
8. *Receiving participant* means, with respect to any check, the participant that receives that payment through the Clearing house. This participant also may be referred to as the *Paying Bank.*
9. *Sending Participant* means, with respect to any payment, the participant that sends an item through the Clearing house.
10. *Books* means the accounting records maintained by a bank for its clients and current accounts of the National Bank of Cambodia maintained for such banks.
11. *Posting* means the debiting of a customer account for a check by the receiving bank.
12. *Settlement* means the entry of a net debit or credit to the clearing account of a participating bank for the daily clearings. All settlements shall be provisional and may be revoked with respect to any payment that has been dishonored by a Receiving Participant and returned as provided for in Regulation.
13. *Routing Number* means the identification number of the participant as listed in the Directory of Bank Routing numbers maintained by the National Bank of Cambodia. The routing number is used to sort payments among the participants in the Clearing house. The routing number must be printed in the proper location on a check in accordance with National Bank of Cambodia standards.
14. *Session* means a meeting of the Clearing house participants to exchange checks with each other. The principal session will occur at 10:00 a.m., and a secondary session for returned checks at 3:00 p.m. However, the Chairman may decide to hold additional sessions in a given day if deemed necessary.
15. *Clearing Account* means the account maintained by each participant at the National Bank of Cambodia for settlement of its daily obligation at the Clearing house. It is used for settlement of Clearing house obligations by any participant.

Chapter 3
Sending Banks' Responsibilities

Article 10:

Banks are expected to utilize the Clearing house to send payments to other participants. Any bilateral exchanges of payments other than at established clearing house meeting times is permitted only upon mutual and specific agreement between the appropriate clearing house participants.

Article 11: Sending participants must:

1. **Authorize and identify sending**

All checks must bear the stamp of the sending participant, and the date of sending on the reverse side of each item.

2. **Prepare sending properly**

Each sending participant shall prepare list of checks in duplicate (Form PPC001) on which shall be shown the individual check amounts and the total value of checks drawn on the other participants. Example of all forms appears in Annex **IV.** One list shall be prepared for each other participant showing the total value and number of checks presented to them;

iii. drawn on the Phnom Penh offices of each other participant, and
iv. Returned unpaid and ineligible items.

Each sending participant may deliver a computer file (diskette) in the prescribed format containing the worksheet of Form PPC001.

3. **Attend regular Clearing house meetings**

Checks are to be brought to the Clearing house at or before the prescribed hour on each business day. A participant whose representative arrives more than five minutes after the prescribed Clearing house session may be excluded from that session by the Clearing Leader. A participant who is excluded from a clearing session shall not present his items to the other participants. He shall however, be compelled to accept and his account be debited for the checks which other participants deliver to him.

4. **Authorize debit to account for payments returned**

Each sending participant, by its act of sending payments to the Clearing house, authorizes the Bank to debit its current account for the subsequent return of dishonored payments by a receiving participant.

5. **Retain records**

Sending Participants must retain all pertinent records necessary to reconstruct any shipment or individual payment for one year beyond the date of original presentment.

This does not imply, however, an obligation to research, provide customer contact, or resolve any adjustment for a particular payment later than this time.

Chapter 4
Receiving Bank's Responsibilities

Article 12:

Receiving Banks are expected to pick up any checks made available to them at the Clearing house each day, including any dishonored checks as noted in Article **11.** Checks made available to a receiving participant which are not picked up by such participant because he has failed to attend the clearing house session or has been excluded because of tardy arrival on that day are deemed to have been delivered on that day for purposes of settlement and timely return of any dishonored checks.

Article 13: Receiving Participants must:

1. **Certify acceptance**

   The receiving participant shall sign the copy of the list on PPC001 to acknowledge receipt of the checks at the Clearing house. Each receiving participant shall sign a copy of PPC002, prepared by the National Bank of Cambodia or a printout containing all Forms 002 as an acknowledgment of his agreement with the amount to be debited or credited to his clearing account as result of the clearing session.

2. **Settle for or return payments**

   Payments remain the property of sending participants until they have been settled for or returned. Receiving participants hold payments in trust until they have received credit from the drawer of the payment by charging that client account on its books. Receiving participants are expected to keep adequate funds in their National Bank of Cambodia clearing accounts to pay for their obligation in daily settlements.

3. **Return unpaid or dishonored payments**

   i. General Provision

   Unpaid or dishonored checks are to be returned by sending through the Clearing house. Receiving participants must note conspicuously on each returned check, the cause for return using an approved reason as listed at Annex **III,** and the name of the receiving participant.

   ii. Timely Return

   Any check presented through the clearing house shall be deemed to be returned timely, and the receiving participant shall not be held accountable for such payment, if it is returned no later than the 3:00 p.m. clearing session on the same day of settlement. Checks are not to be considered as finally paid, with disbursement in cash, until after the close of the applicable return item session.

v. Settlement for Returns

Receiving participants must return the unpaid payment clearly marked as a "RETURN ITEM" in the prescribed format. The amount will be deducted in the net settlement amount for the receiving participant (Form PPC001).

vi. Expiration of Return privilege

Checks may be dishonored and returned on two occasions only. Checks remaining Unpaid after the second dishonor must be handled outside of clearing house channels by collection directly between the banks involved.

4. Retain records

Receiving participants must retain computer file (diskette) or paper listings, and any other Associated evidence necessary to reconstruct records for any Clearing house transaction for one calendar year beyond the date of receipt. Receiving participants are under no obligation however, and may as a courtesy, assist sending participants in resolving inquiries about transactions which occur after the mandatory records retention period has expired.

5. Return all unposted checks in event of default

In the event a participant is unable to provide adequate funds in its current account with the National Bank of Cambodia for the daily settlement and is declared insolvent by the Banking Supervision Department, the National Bank of Cambodia will so inform other participants and request the defaulting participant to immediately return all unposted payments in its possession to the National Bank of Cambodia. The National Bank of Cambodia will then return such payments to the participant that originally sent them to the Clearing house for payment.

Chapter 5
National Bank of Cambodia Responsibilities

Article 14:

The National Bank of Cambodia is a participant of the Clearing house and can receive and send checks to the same extent as any other participant for drawn or payable to the National Bank of Cambodia. In addition, the Bank provides facilities for the Clearing house meeting and settles accounts on its books for the participants.

Article 15: Preparation of forms

The Clearing Leader shall electronically prepare Form PPC002, and PPC003, as shown in the Annexes by incorporating participant's computer worksheets (PPC001) from the diskette brought to the clearing session.

Article 16: Settlement

1. Settlement will be completed each business day by debiting and crediting current accounts maintained by participant with National Bank of Cambodia. When the total

amount of the checks presented exceeds the total amount received, the participant' s account will be credited. When the total amount of checks received exceeds the total amount presented, the participant' s account will be debited. When the Clearing Leader is satisfied that the clearing settlement form is balanced he shall sign a copy or a print-out of each participant's Form PP002 as an advice of debit or credit to that participant's clearing account. He shall then announce that the session is closed. No participant shall leave the session before the announcement of the closure.

2. In the case that the receiving participant has insufficient funds in its clearing account for settlement, it will have 2 hours to arrange for funds from another bank to be deposited into its clearing account at the National Bank of Cambodia. This will be the primary and expected source of funds for settlement.

Article 17: Balances maintained at National Bank of Cambodia

Participants authorize the Bank to charge to their accounts at the National Bank of Cambodia any debit amounts that they may occur as a result of clearing checks, and must maintain funds in these accounts adequate to cover such debits. As a prudential measure, the National Bank of Cambodia may require banks to maintain adequate unencumbered deposits of foreign currencies in accounts abroad to cover their largest net debit exposure incurred during the previous calendar quarter.

Article 18: Failure to Settle

1. If the participant does not provide for its net debt obligation in the clearing house within the 2 hours allowed, the Clearing house Leader will inform the Chairman of the circumstances, who will determine corrective measures. If the participant is declared "in default" by the National Bank of Cambodia, the Chairman will so inform the other participants. The session will not be declared closed until the all accounts have been successfully debited on the day of clearing.

2. In the case default is announced during the session, the National Bank of Cambodia shall "unwind" the settlement, i.e. reverse the credit given that paying bank for its payments brought to the clearing house and the debit against it for payments brought by other banks, and recalculate the net positions of all participants accordingly. New forms shall be prepared by the Clearing Leader to reflect the new positions of the Participants. The defaulting bank will not be permitted further access to the Clearing house.

Article 19: Limit of liability

The National Bank of Cambodia shall not any way be responsible or liable in the event a participant incurs a loss in connection with participant in the clearing house, except in case of the Bank's own negligence or misconduct. It is understood and agreed that all claims on account of missorting, untimely return, failure to return, default by a participant, etc. shall be resolved directly between the participants except insofar as they agree to use the National Bank of Cambodia books to post the transactions. The Bank shall, however be accountable pursuant to the terms and conditions of Regulation for its own items entered for clearing and settlement in the same manner as any other participant.

Chapter 6

Miscellaneous Provisions

Article 20: Governing Law

The transactions covered by Regulation shall be subject in all respects to the laws of Kingdom of Cambodia and all other applicable published regulations of the National Bank of Cambodia.

Article 21: Emergency conditions

Conduct of daily clearing operations may be delayed within a business day or deferred to a later day in the event that participants are unable to attend due to adverse conditions as may be attributable to weather, loss of power or communications, or other major disruption in the city or country. In such circumstances, the National Bank of Cambodia will provide explicit instructions to the participants regarding to the procedures to be followed for entries applicable to the clearings or returns. However, individual participants should prepare for disruptions in their own facilities and are responsible for maintaining contingency plans and alternate processing sites with necessary equipment to continue operations for the duration of the emergency.

Article 22: Statistics

The National Bank of Cambodia shall compile and publish monthly statistics of the number and value of checks exchanged on daily basis throughout the month, including information on returned checks (unpaid checks). The statistical series shall compare monthly averages for the current and past years. Information on an individual bank's clearing shall not be published, except to that bank.

Article 23:

All former Regulations that contradict with this Prakas shall be abrogated.

Article 24:

The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Department of the National Bank of Cambodia and Commercial banks members of the Clearing House of riel denominated cheque shall strictly implement this Prakas.

Article 25:

This Prakas shall have effect from this signing date.

Phnom Penh, December 27, 2000

The Governor

Signed and Sealed: **Chea Chanto**

Annex I-A

KINGDOM OF CAMBODIA

NATION RELIGION KING

****

Application for Participant of the Clearing house

Name: .....
Position: .....
Address: .....
.....
Postal Address: .....
Telephone: .....

To: **The Chairman of the KHR denominated Checks' Clearing house**

According to what the Prakas No. of ..../..../ 2000 on the KHR denominated Checks' Clearing House has been understood, and in order to facilitate the use of Checks among our bank and other commercial banks in Phnom Penh,

We respect for elders to you to allow our bank attending as Participant of the KHR denominated Checks' Clearing house.

Attached Documents:

- A copy of banking license 1 copy
- Designation Letter and Specimen of Signatures 3 copies

We strictly intend to comply with the above Prakas.

Very truly yours, Phnom Penh, ...

Signature

Annex I-B

KINGDOM OF CAMBODIA
NATION RELIGION KING

BANK …….

Designates the Names and Specimen of Signatures of our bank Liaison Officers who have been authorized to sign on our formally written proof and other clearing evidence at the National Bank of Cambodia to complete the KHR denominated Checks' Clearing house service.

a./- Clearing House Committee:

Bank Manager Name:		
Authorized Person Position: ..... Name:		

b./- Representative Participant in the Clearing Session:

Representative Position: ..... Name:		
Authorized Person Position: ..... Name:		

We will newly designate the others, while the above Officers have been removed.

Phnom Penh, ……
Signature

This Specimen of signatures is valid
from.....to .....
Phnom Penh, ...
Chairman of the Clearing

Annex II

LIST OF

THE KHR DENOMINATED CHECKS' CLEARING HOUSE MEMBERS

No.	BANKS' NAME	ABBREV.	ROUTING No.
1	National Bank of Cambodia	NBC	
2	National Treasury	NTG	T001
3	Foreign Trade Bank	FTB	B001
4	Cambodian Commercial Bank	CCB	B003
5	Cambodian Public Bank	CPB	B004
6	Canadia Bank	CNB	B005
7	Krung Thai Bank	KTB	B009
8	Thai Farmers Bank	TFB	B012
9	Credit Agricole Indosuez	CAI	B013
10	Cambodia Asia Bank	CAB	B016
11	Singapore Banking Corporation	SBC	B018
12	May Bank	MBB	B020
13	Singapore Commercial Bank	SCB	B021
14	Standard Chartered Bank	SCB1	B025
15	Union Commercial Bank	UCB	B026
16	First Overseas Bank	FOB	B031

Annex III

Agreed reasons for return of checks by member banks

XIX. Insufficient or no funds
XX. Funds not cleared
XXI. Payment Stopped
XXII. Post dated and improperly-dated
XXIII. Out-of-date (more than six months old)
XXIV. Words and figures differ
XXV. Amount in words required
XXVI. Drawer's signature differs- from sample signature
XXVII. Drawer's signature required
XXVIII. Drawer's signature required from alteration
XXIX. Not drawn on bank's form
XXX. Mutilated check
XXXI. Account closed
XXXII. No account
XXXIII. Drawer deceased
XXXIV. Drawer bankrupt/in liquidation

Annex IV

FORM PPC001: LISTING OF INDIVIDUAL CHECKS BROUGHT TO THE CLEARING HOUSE

THE KHR DENOMINATED CHECKS' CLEARING HOUSE

Items presented by .....to .....

Date ..... / ... /.....

	Cheque No.	Amount in riel		Cheque No.	Amount in riel
1			36		
2			37		
3			38		
4			39		
5			40		
6			41		
7			42		
8			43		
9			44		
10			45		
11			46		
12			47		
13			48		
14			49		
15			50		
16			51		
17			52		
18			53		
19			54		
20			55		
21			Total - New Items		
22					
23			Returned Items		
24					
25				Cheque No.	Amount in riel
26					
27			1		
29			2		
30			3		
31			4		
32			5		
33			6		
34			7		
35			8		
	Sub - Total:		Total - returned Items		
		Total - New and Returned Items			

For Clearing house use

Signature

FORM PPC001: THE KHR DENOMINATED CHECKS' CLEARING HOUSE

US DOLLARS UNPAID CHEQUES STATEMENT

Cheques from Clearing of: ..... (Date)
From .....
To .....
Date: .....

No.	Cheque No.	Amount in US riels
Total:		

This Cheque shall be listed in the Session of Form PPC001 date: .....
reserved for returned / unpaid items.

Signed “for Presented Bank” .....

Signed “for Receiving Bank” .....

FORM PPC002: SUMMARY LISTING BY BANK OF CHECKS BROUGHT TO THE CLEARING HOUSE

THE KHR DENOMINATED CHECKS' CLEARING HOUSE

Items presented by..... "Bank' Name ....."Debit Acct: .....

At ..... “Time” Session Date: ..../... ./....." Credit Acct:.....

No	Bank No.	Bank	Cheques presented to “Funds Due to sending Banks”	No.	Cheques received from “Funds Due to other Banks”	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	Total							

Signed (for Presented or receiving Bank).....

Singed (for National Bank of Cambodia).....

FORM PPC003: SETTLEMENT LISTING OF CHECK BROUGHT AND CHECKS RECEIVED BY BANK

THE KHR DENOMINATED CHECKS' CLEARNING HOUSE

At ..... "Time" Session Date: ..../... ./.....

No	Bank No.	Bank	"Funds Due to"	No.	"Funds Due from"	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	Total							

Singed (for National Bank of Cambodia).....

Nº B-5-03-016 SCN

ANNOUNCEMENT

ON

PROVINCE-CITY MONEY TRANSFER AND SERVICE CHARGE DETERMINATION

****

National Bank of Cambodia (NBC) would like to inform all the clients who posses accounts in NBC and NBC's branches that NBC provided money transfer services through the Banking Operation department and NBC's branches in provinces and cities.

I. Client who can get the service are:

1- Transfer money from NBC head quarter to its branches:

- Ministries, institutions, entities, and banking and financial institutions that opened accounts in Banking Operation department.

2- Transfer money from NBC's branches to NBC head quarter:

- Province and city treasury
- Province and city offices, ports, electricity, water.
- Banking and financial institutions' branches.
- Microfinance institutions.
- Non Governmental Organizations, Social organizations.
- Money changer precious metal merchants that have license from NBC.

II. Money Transfer and Procedures

Clients have to fill out the transfer order form Nº1 1 for legal entity, or form Nº1 2 for individuals by attaching their withdrawal checks.(With attachment form Nº1 1, and form N°12).

III. Service Charges

- Service charge is 0.10% of money transfer (in Riel or Dollar)
- The minimum amount of a transaction is fixed at 12,000 riel or 3 dollar and public budget transfer have no charges.

Service charge has to be charged from the originating bank and the clients, who have to receive the money, don't have to pay again.

This announcement shall have effect from the signing date.

Phnom Penh, 10 January 2003

Director General

Signed and Sealed: **Tal Nay Im**

Form Nº 11 Date: ....

Transfer Order

To: Manager of the National Bank of Cambodia

Branch.....

- Entity/Institution:.....
- Authorized Person: .....
- Reference the Proxy Nº.....Dated .....
- Amount: .....
- Beneficiary's Name:.....
- Account Number:.....
- Beneficiary's Bank:.....
- Address of Beneficiary's Bank: .....
- Special Instruction: please debit our account Nº..... ..... opened with your bank.

Signature

……

Form Nº 12 Date:.....

Transfer Order

To: Manager of the National Bank of Cambodia

Branch .....

- Name of transferor: .....
- Address:.....
- ID Card or Passport Nº.....Dated.....
- Amount:.....
- Beneficiary's Name: .....
- Beneficiary's Account Number: .....
- Beneficiary's Bank: .....
- Address of Beneficiary's Bank:.....
- Special Instruction: please debit my account Nº .... opened with your bank.

Signature

Nº B-9-06-234 Prokor

PRAKAS

ON

CLEARING SYSTEM OF SETTLEMENT PAYMENT

****

Article 1.-

Definitions stated in Article 2 of the NIPTL are incorporated into this Prakas, unless hereafter modified or where the context requires otherwise:

1- **"Designated payment clearing system"** means a payment clearing system designated under this Prakas.
2- **"Instruction"** includes directive;
3- **"Manager"** includes a member of the Board of Directors and means any person that in the view of the NBC is in a position to supervise and be responsible for the management of the business and affairs of a service provider. Notice under this Article to be given to a manager is to be given to the manager as advised to the NBC by the Service provider, unless the NBC specifically designates another person to be a manager;
4- **"Monetary value"** means a medium of exchange, whether or not redeemable in money, including in the form of stored value, payment instrument or credit to account;
5- **"Money"** means a monetary unit or a medium of exchange that is issued, established, authorized or adopted by Cambodia or a foreign government. The term includes a monetary unit or a medium of exchange issued, established, authorized or adopted by an intergovernmental organization or by agreement between two or more governments;
6- **"Money transmission"** means selling or issuing monetary value, or receiving money or monetary value in connection with the transmission of money or monetary value, either from the transmitter or for a beneficiary, and includes the provision of a facility for the withdrawal of money, for the transfer of monetary value between accounts, or for the payment of monetary value to third parties. The term includes the taking part in any transaction or arrangement involved in carrying out the transmission from the transmitter to the beneficiary, even to which neither the transmitter nor the beneficiary is a party or direct participant. Money transmission could be from place to place, within, to or from Cambodia or any other country;
7- **"Participant"** means a party to an arrangement in respect of a payment clearing system. It may be a bank, a provider of money transmission services or any other person but does not include a user or customer of a participant who instructs or receives payment over the payment clearing system;
8- **"Payment card"** means any card, plate, coupon book, or other device, including a code or any other means of access to an account or stored value, that may be used from time to time to obtain money or to make payment, and includes a debit, charge, credit and stored-value card;
9- **"Payment clearing system"** means a system or arrangement for the communication, processing, exchange, clearing or settlement of payment orders and other messages effecting, ordering, enabling, or facilitating the making of payments, money transmission, money withdrawals, or transfers of monetary value;

10- **“Payment clearing system rule”** means a rule, by whatever name called, other than one issued by the NBC, that governs a payment clearing system, including its operation, clearing and settlement. It includes an amendment to, or a repeal of, a payment clearing system rule;
11- **“Payment instrument”** means a check, draft, money order, traveler's check, payment card, or other instrument for the transmission or payment of money or monetary value, whether or not negotiable. The term does not include a credit card voucher, letter of credit, or instrument that is redeemable by the issuer in goods or services;
12- **“Person”** means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency or instrumentality, public corporation, or any other public, private or commercial body, unit or organization, with or without separate legal personality;
13- **“Record”** means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;
14- **“Service provider”** means any person who operates or participates in the operation of a payment clearing system; and
15- **“Stored value”** means monetary value that is evidenced by an electronic record.

Article 2.-

1. The NBC may by rules:

    a. Set out conditions, requirements and standards under which payment clearing systems may be operated and designated;
    b. Require the registration or licensing of service providers, set out conditions and requirements for such registration or licensing and provide for the circumstances under which such license or registration may be revoked by the NBC;
    c. Set out charges and fees for the registration and licensing of service providers;
    d. Supervise, regulate and oversee service providers;
    e. Set out conditions and requirements under which persons, including those providing money transmission services, may be participants in a payment clearing system or hold accounts and keep deposits in the NBC;
    f. Submit service providers to prudential requirements, including accounting and reporting requirements;
    g. Set out requirements, standards and guidelines on corporate matters of service providers, such as with regard to their form of incorporation or organization, administration, management, governance, control, capital adequacy and other capital requirements, ownership structure, quality of shareholders and administrators, and business and investment powers;
    h. Impose on service providers requirements, standards and guidelines designed to facilitate their inspection by the NBC, including requirements, standards and guidelines regarding the collection, maintenance on record and reporting to the NBC of information on matters as specified, including about their participants and in relation to transactions or any category of them, in such format and detail as shall be set out in rules; and
    i. Submit service providers to market regulation aimed at the protection of customers and participants or any category of them, and particularly, set out disclosure requirements and regulate contract terms of payment clearing systems and their participants.

2. Rules under this Article, and any conditions, requirements and standards provided thereunder, on any matter, including on licensing, registration, or designation, and regarding fees and charges, may vary from one category to another of service providers, as well as from one sub-category or type of service providers, as classified and determined by the NBC at its sole discretion.

Article 3.-

1. The NBC may, if it considers it in the public interest to do so, designate a payment clearing system to be subject to regulation, supervision and oversight under this Prakas.
2. The following factors shall be considered in a determination of whether it is in the public interest to designate a payment clearing system:

    a. the level of financial safety provided by the payment clearing system to the participants and users;
    b. the efficiency and competitiveness of payment clearing systems in Cambodia; and
    c. the best interests of payment clearing system participants and their customers or the financial system in Cambodia.

3. Before a payment clearing system is designated, the NBC shall consult the manager and participants of the payment clearing system, and may consult interested parties, with respect to the effects of the designation.
4. The NBC shall notify the manager and the participant of the designated payment clearing system in any manner that the NBC considers appropriate.
5. A designation shall be published in the Official Gazette.

Article 4.-

1. A copy of every payment clearing system rule governing a designated payment clearing system shall be sent by the manager of the designated payment clearing system or, if there is none, by the participants to the NBC,

    a. In the case of a payment clearing system rule made before the designation of the payment clearing system, within 30 days after the designation; and
    b. In the case of a payment clearing system rule made after the designation, within 10 days after it is made.

2. A payment clearing system rule, other than a payment clearing system rule referred to in paragraph (1) (a), does not come into force before the thirtieth day after a copy of it is sent to the NBC under paragraph (1), but the NBC may declare the payment clearing system rule to be in force at any time before that period expires.
3. If the NBC is of the opinion that an extension of the period mentioned in paragraph (2) is necessary to permit adequate review of a payment clearing system rule, the NBC may within 10 days after its receipt, on written notice to the sender of the payment clearing system rule, extend that period by up to 30 days.
4. The NBC may disallow the whole or a part of a payment clearing system rule governing a designated payment clearing system, before or anytime after it

becomes or is in force. A payment clearing system rule in force so disallowed becomes ineffective from the moment the decision to disallow it is advised to the manager of a designated payment clearing system, or at any time thereafter, as instructed by the NBC in its decision to disallow the payment clearing system rule.

5. Where a payment clearing system rule in force is disallowed in whole or in part by the NBC under paragraph (4), so as to give rise to the need to amend or replace a payment clearing system rule, in order to facilitate the continued smooth operation of the designated payment clearing system, the decision of the NBC to disallow it must be included in an instruction, issued pursuant to Article 5, instructing the manager of the designated payment clearing system of the needed amendment or replacement, and further providing a text for a temporary payment clearing system rule to apply until an amending or replacing payment clearing system rule is adopted by the system. The temporary payment clearing system rule becomes effective immediately when the payment clearing system rule to be replaced or amended becomes ineffective.
6. The NBC may exempt a designated payment clearing system from the application of paragraph (2).

Article 5.-

1. The NBC may issue an instruction to the manager or to a participant of a designated payment clearing system in respect of :

    b. The conditions a person must meet to have access or become a participant in the designated payment clearing system;
    c. The operation of the designated payment clearing system, including its clearing and settlement;
    d. The interaction of the designated payment clearing system with other payment clearing systems; or
    e. The relationship of the designated payment clearing system with its participants.

2. Before giving an instruction, the NBC shall consult the person to whom it is to be given, and may consult any interested party, with respect to the content and the effect of the instruction.
3. The NBC may specify in an instruction that a manager of the designated payment clearing system or a participant in such a system shall, within such time as the NBC considers necessary,

    a. Cease or refrain from engaging in an act or course of conduct;
    b. Perform such acts as in the opinion of the NBC are necessary in the public interest; or
    c. Make, amend, or repeal a payment clearing system rule.

4. As soon as is practicable after implementing an instruction and completing any actions required to be taken in connection with it, the person to whom it is given shall notify the NBC that the directive has been implemented and the action completed.
5. An instruction shall be published in the Official Gazette.
6. An instruction is binding on the person to whom it is given.

Article 6.-

1. The NBC may audit, inspect, and require the production of, accounts, records, books, and documents, inspect offices of, and request information from any person the NBC wishes to determine whether such a person operates or involved in the operation of a payment clearing system to be considered for designation under this Article.
2. Any person and an employee, agent or manager of a person to whom a request or demand is made under paragraph (1) shall comply with it.
3. At its sole discretion the NBC may have audits and inspections under paragraph (1) carried out on its behalf, in whole or in part, by reputable independent external auditors who shall report to the NBC.
4. For the purpose of obtaining evidence under oath in relation to an audit or inspections under paragraph (1), the NBC has all the powers of a person appointed as a commissioner under the Law on the organization and the conduct of the NBC.
5. Participants shall comply with all obligations imposed under this Article on a manager of a payment clearing system.
6. If a manager of a payment clearing system fails to comply with the obligations imposed on it under this Article, the participants jointly and severally shall comply with those obligations and shall be liable for the contravention in the same manner and to the same extent as the manager.

Article 7.-

On an application for judicial review of any designation of a payment clearing system under this Prakas or of any instruction issued thereunder, no stay of the designation or instruction shall be granted pending the final disposition of the application.

Article 8.-

1. Information and documents obtained under this Prakas are confidential and shall be treated accordingly.
2. Nothing in paragraph (1) prevents the NBC from disclosing any information or documents to any government agency or regulatory body charged with the regulation of financial institutions, provided that the NBC is satisfied that the information or documents will be treated as confidential by the agency, body or person to whom they are disclosed.

Article 9.-

The General Director, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 10.-

This Prakas shall have effect from the signing date.

Phnom Penh, 04 December 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B-9-06-235 Prokor

PRAKAS

ON

SYSTEMIC RISK MANAGEMENT OF PAYMENT SYSTEM

****

Article 1.-

Definitions stated in Article 2 of the NIPTL are incorporated into this Prakas, unless hereafter modified or where the context requires otherwise:

1. **"Central counter-party"** means a corporation, association, partnership, agency or other service provider or person in a clearing and settlement system with whom all participants' payment rights and obligations are netted to produce a single amount owing as between each participant and the central counter-party;
2. **"Clearing and settlement system"** means a system or arrangement for the clearing or settlement of payment obligations in the financial system, in any currency, and in which there are at least three participants, at least one of which is a financial institution. For greater certainty, it includes a system or arrangement for the clearing or settlement in the official currency of Cambodia, or for securities transactions, foreign exchange transactions or other transactions or financial contracts where the system or arrangement also clears or settles payment obligations arising from those transactions and contracts;
3. **"Clearing house"** means a corporation, association, partnership, agency or other entity, organization or person that provides clearing or settlement services for a clearing and settlement system, but does not include the NBC;
4. **"Designated clearing and settlement system"** means a clearing and settlement system designated under Article 2 (1);
5. **"Financial institution"** means

   (i) A licensed commercial bank;
   (ii) Such other person, entity or person or entity within a class of persons or service providers engaged primarily in the business of providing financial services as may be designated by the NBC to be a financial institution for the purposes of this Prakas;

6. **"Financial system"** means the financial system of Cambodia
7. **"Instruction"** includes directive;
8. **"Participant"** means a member of a clearing house or a party to an arrangement that establishes a clearing and settlement system;
9. **"Systemic risk"** means the risk that the inability of a participant to meet its obligations in a clearing and settlement system as they become due or a disruption to a clearing and settlement system that could, through the transmittal of financial problems through the system, cause

   (i) Other participants in the clearing and settlement system to be unable to meet their obligations as they become due,
   (ii) Financial institutions in other parts of the financial system of Cambodia to be unable to meet their obligations as they become due, or

10. The clearing and settlement system's clearing house or the clearing house of another clearing and settlement system within the financial system of Cambodia to be unable to meet its obligations as they become due.

Article 2.-

- Where the NBC is of the opinion that a clearing and settlement system may be operated in such a manner as to pose a systemic risk, the NBC may designate the clearing and settlement system as a systematically important clearing and settlement system that is subject to this Prakas.
- The NBC shall notify a designated clearing and settlement system's clearing house of the designation and shall cause a copy of the designation to be published in the *Official Gazette.*
- Designation of a clearing and settlement system as systematically important under this Prakas may be given in addition to the designation of the same system under Prakas on payment clearing systems. Persons subject to both Prakas shall comply with requirements under both.

Article 3.-

The NBC may enter into an agreement with, or issue instructions to, a clearing house or a participant of a designated clearing and settlement system, or both, in respect of:

a. Netting arrangements;
b. Risk sharing and risk control mechanisms;
c. Certainty of settlement and finality of payment;
d. The nature of financial arrangements among participants;
e. The operational systems and financial soundness of the clearing house; and
f. Such other matters that in the view of the NBC pertain to systemic risk.

Article 4.-

1. Where the NBC is of the opinion that:

   a. A clearing house for a designated clearing and settlement system is engaging in or is about to engage in any act, omission or course of conduct,
   b. A participant is engaging in or is about to engage in any act, omission, or course of conduct with respect to its participation in the designated clearing and settlement system, or
   c. The designated clearing and settlement system is operating or is about to operate in a way,

   that results or is likely to result in systemic risk being inadequately controlled, the NBC may issue an instruction to the clearing house requiring it, within such time as the NBC considers necessary and may specify in the instruction, that such party:

   (i) Cease or refrain from engaging in the act, omission or course of conduct or have the participants cease or refrain from engaging in the act, omission or course of conduct, and
   (ii) Perform such acts or have the participants perform such acts as in the opinion of the NBC are necessary to remedy the situation.

2. Where the NBC has formed an opinion under paragraph (1) that systemic risk is being inadequately controlled and

   a. The clearing house fails to comply with a directive that has been issued to it under paragraph(1)
   b. The designated clearing and settlement system does not have a clearing house located in Cambodia, or
   c. In the opinion of the NBC,

      (i) The systemic risk is being inadequately controlled due to an act, omission, or course of conduct by a participant with respect to its participation in the designated clearing and settlement system, and
      (ii) The act, omission, or course of conduct is not subject to the by-laws, agreements, rules, procedures, guidelines, or other documentation governing the designated clearing and settlement system,

   the NBC may issue an instruction to the participants requiring them, within such time as the NBC considers necessary and may specify in the instruction, that such party

      (i) Cease or refrain from engaging in certain acts, omissions, or courses of conduct with respect to their participation in the designated clearing and settlement system, and
      (ii) Perform such acts with respect to their participation as the NBC considers necessary to remedy the situation.

3. An instruction under this Article may be made in respect of any matter that is directly related to participation in the designated clearing and settlement system. For greater certainty, an instruction under this Article may not be made in respect of

   a. The capital adequacy of a participant
   b. The management of its investments;
   c. Its corporate governance;
   d. Its relations with customers who are not themselves participants in the designated clearing and settlement system; or
   e. Its ownership structure.

4. An instruction may require that the payment obligations that arise from clearing within the designated clearing and settlement system shall be settled through adjustments to the account or accounts of one or more of the participants at the NBC.

5. An instruction, if it so provides, applies to a designated clearing and settlement system that is established by or under any Law.

6. An instruction shall be published in the *Official Gazette.*

7. An instruction is binding on the person to whom it is given.

Article 5.-

1. The NBC may do all or any of the following things in relation to a designated clearing and settlement system and its clearing house:

b. Provide a secured or unsecured guarantee of settlement by participants;
c. Make liquidity loans to the clearing house and the central counter-party; and
d. Act as the central counter-party to the participants.

2. If the NBC is of the opinion that participation in a designated clearing and settlement system by a participant poses or is likely to pose, an unacceptable systemic risk, or an unacceptable risk to the NBC in guaranteeing settlement of that participant's obligations, the NBC may suspend participation of that participant, prohibit it from being a participant, or may require it to comply with such conditions, with respect to its participation, as the NBC considers necessary.

Article 6.-

2. In Article 6 and 7, "insolvency proceedings" shall mean any collective measure provided for in the law either to wind up the participant or to reorganize it, whether voluntary or involuntary, where such measure involves the suspending of, or imposing limitations on, payment orders and payments.
3. Payment orders entered into a designated clearing and settlement system and their netting shall be legally enforceable and, even in the event of insolvency proceedings against a participant, shall be binding on third parties, provided that payment orders were entered into a system before the moment of opening of such insolvency proceedings.
4. Where payment orders are entered into a designated clearing and settlement system after the moment of opening of insolvency proceedings and are carried out on the day of opening of such proceedings, they shall be legally enforceable and binding on third parties only if, after the time of settlement, the central counterparty or the clearing house can prove that they were not aware, nor should have been aware, of the opening of such proceedings.
5. The moment of entry of a payment order into a designated clearing and settlement system shall be defined by the rules of that system.
6. For the purpose of this Article, the moment of opening of insolvency proceedings shall be the moment when the relevant judicial or administrative authority handed down its decision.
7. When a decision has been taken in accordance with paragraph 5, the relevant judicial or administrative authority shall immediately notify that decision to the NBC.
8. Insolvency proceedings shall not have retroactive effects on the rights and obligations of a participant arising from the clearing and settlement of payment obligations on a designated clearing and settlement system earlier than the moment of opening of such proceedings.

Article 7.-

1. In this Article, "Settlement rules" means the rules, however established, that provide the basis upon which payment obligations are calculated, netted or settled and includes rules for the taking of action in the event that a participant is unable or likely to become unable to meet its obligations to the clearing house, a central counter-party or the other participants.
2. Notwithstanding anything to the contrary in any other law:

a. The settlement rules of a designated clearing and settlement system are valid and are binding on the clearing house, the participants, a central

counter-party and the NBC. Any action may be taken or any payment made in accordance with the settlement rules;

b. The obligation of a participant, a clearing house or a central counter-party to make payments to a participant, and the right of a participant, a clearing house or a central counter-party to receive payments from a participant, a clearing house or a central counter-party, shall be netted, and a net settlement or close-out amount shall be determined in accordance with the settlement rules of the designated clearing and settlement system, if they so provide; and
c. Where the settlement rules of a designated clearing and settlement system provide that the settlement of a payment obligation through an entry to or a payment out of an account of a participant, a clearing house or a central counter-party at the NBC is final and irrevocable, the entry or payment shall not be reversed, repaid or set aside.

3. An entry to or a payment out of the account of a participant, a clearing house or a central counter-party at the NBC to settle a payment obligation in a designated clearing and settlement system shall not be the subject of any provision or order that operates as a stay of that activity.
4. The rights and remedies of a participant, a clearing house, a central counter-party or the NBC, with respect to collateral granted to it as security for a payment or the performance of an obligation incurred in a designated clearing and settlement system, may not be affected by insolvency proceedings. In particular, such rights and remedies may not be the subject of any stay provision or order affecting the ability of creditors to exercise rights and remedies with respect to the collateral.
5. Notwithstanding that all or part of the administration or operation of a designated clearing and settlement system is conducted outside Cambodia or that its settlement rules are governed by the laws of a foreign jurisdiction, where in any judicial proceedings in Cambodia a court determines that the rights and obligations of any person arising out of or in connection with the operation of the designated clearing and settlement system are governed in whole or in part by the law of Cambodia, the provisions of this Article shall be applied to the extent that the law of Cambodia applies in determining those rights and obligations.

Article 8.-

1. Every clearing house shall, with respect to its designated clearing and settlement system, provide the NBC with reasonable notice in advance of any change to be made by the clearing house that is of a significant nature in relation to the designated clearing and settlement system, and, without limiting the generality of the foregoing, the notice shall be provided with respect to any change affecting:

b. All documents relating to the formation, establishment, constitution, governance and operation of the clearing house, including its Sections or memorandum of association, by-laws, and relevant resolutions, agreements, rules and procedures;
c. The operation of the designated clearing and settlement system; or
d. The by-laws, agreements, rules, procedures, guidelines or other documentation

governing the designated clearing and settlement system.

2. Every clearing house shall, forthwith after it makes any other changes in relation to the designated clearing and settlement system, provide the NBC with written notice of the change, and, without limiting the generality of the foregoing, the notice shall be provided in respect of any change affecting:

   a. The composition of a board of directors of the clearing house due to resignation or otherwise; or
   b. The appointed auditor of the clearing house.

3. Every clearing house shall, with respect to its designated clearing and settlement system, provide the NBC with such information, at such times and in such form, as the NBC may in writing require.

Article 9.-

1. The NBC may, for the purpose of carrying out its functions under the Article, conduct audits and inspections of a clearing house, and every clearing house shall, as required, assist the NBC to the extent necessary for the purpose of enabling the NBC to carry out an audit or inspection.

2. At its sole discretion the NBC may have audits and inspections under paragraph (1) carried out on its behalf, in whole or in part, by independent external auditors who shall report to the NBC.

3. For the purpose of obtaining evidence under oath in relation to an audit or inspections under paragraph (1), the NBC has all the powers of a person appointed as a commissioner under the law on the conduct and organization of NBC.

4. The NBC may do all or any of the following things in relation to a clearing and settlement system and its clearing house:

   a. Be a participant, participate, and act as a central counter-party, including in a loss-sharing mechanism;
   b. Act as a custodian of financial assets, or act as a settlement agent, or both; and
   c. Accept and pay interest on deposits from the clearing house, a participant or the central counter-party.

5. Where the NBC has reasonable grounds to believe that a system or arrangement exists for the clearing and settlement of payment obligations or payment messages but the NBC requires further information in order to determine whether the system or arrangement is a clearing and settlement system, the NBC may request a person who is a party to the system or arrangement to provide the NBC with such information and documents regarding the system or arrangement as the NBC may require to make the determination. Every person to whom a request is directed under this paragraph shall comply with the request.

6. Every clearing house shall, in respect of its clearing and settlement system provide the NBC with such information and documents as the NBC may from

time to time require to enable the NBC to determine whether the clearing and settlement system poses a systemic risk. Without limiting the generality of the foregoing, the clearing house shall, in respect of the clearing and settlement system, provide the NBC with:

a. The names of its participants;
b. Copies of all documents relating to the formation, establishment, constitution, governance and operation of the clearing house, including its Sections or memorandum of association, by-laws, and relevant resolutions, agreements, rules, and procedures;
c. The names of its directors, committee members, and auditors;
d. Copies of its reports, statements or other documents that are required to be filed with any government agency or regulatory body; and
e. Copies of its financial statements.

7. A participant is not required to provide information to the NBC under this Article concerning another participant of a clearing and settlement system if that information is not available to all the participants.

Article 10.-

1- In this Article:

a. "Net termination value" means the net amount obtained after setting off or otherwise netting the obligations between the parties to a netting agreement in accordance with its provisions;
b. "Netting agreement" means an agreement between two or more financial institutions or between the NBC and one or more financial institutions that provides for the netting or set-off of present or future obligations to make payments against the present or future rights to receive payments.

2- Notwithstanding anything in any law, whether or not it relates to bankruptcy or insolvency, or any order of a court made pursuant to the administration of a reorganization, arrangement, or receivership involving insolvency, where a financial institution or the NBC is a party to a netting agreement, the financial institution or the NBC may terminate the agreement and determine a net termination value or net settlement amount in accordance with the provisions of the agreement. The party entitled to the net termination value or settlement amount is to be a creditor of the party owing the net termination value or net settlement amount for that value or amount.

Article 11.-

1. Where a clearing house fails to comply with the obligations imposed on it under this Prakas with respect to its clearing and settlement system or otherwise contravenes this Prakas, the participants shall jointly and severally comply with those obligations and they shall be liable for the contravention of those obligations in the same manner and to the same extent, as the clearing house.
2. Where a clearing and settlement system does not have a clearing house located in Cambodia, the participants located in Cambodia

a. Shall comply with the obligations imposed under this Article on a clearing house with respect to a clearing and settlement system; and
b. Have all the rights conferred by this Article on a clearing house with respect to a clearing and settlement system in the same manner and to the same extent as if the participants located in Cambodia were the clearing house on which those obligations and rights are imposed or conferred and, for that purpose, any action that the NBC may take in respect of a clearing house may only be taken in respect of the participants located in Cambodia. For the purpose of this paragraph, participant is located in Cambodia if the participant is incorporated or formed under the law applicable in Cambodia.

3. A foreign bank that is or wishes to be a participant in a designated clearing and settlement system shall, from time to time, provide the NBC with any information regarding the application of foreign laws to the foreign bank that the NBC considers necessary.

Article 12.-

1. Compliance with any provision of this Prakas or Instruction issued by the NBC in connection with any matter under the aforesaid provisions, or a lawful request for information directed under this Prakas may be enforced by the NBC's application to a court of competent jurisdiction for an order directing compliance with the provision, rule, instruction or request. Upon the application, the court may so order and make any further order it thinks fit.
2. On an application for judicial review of any designation under this Prakas or of any instruction issued thereunder, no stay of the designation or instruction shall be granted pending the final disposition of the application.

Article 13.-

1. Information and documents obtained under this Prakas are confidential and shall be treated accordingly.
2. Nothing in paragraph (1) prevents the NBC from disclosing any information or documents to any government agency or regulatory body charged with the Prakas of financial institutions, provided that the NBC is satisfied that the information or documents will be treated as confidential by the agency, body or person to whom they are disclosed.

Article 14.-

The General Director, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 15.-

This Prakas shall have effect from the signing date.

Phnom Penh, 04 December 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B-9-06-240 Prokor

PRAKAS

ON

TRANSACTION OF SETTLEMENT ACCOUNTS

****

Article 1.-

Definitions stated in Article 2 of the NIPTL are incorporated into this Prakas, unless hereafter modified or where the context requires otherwise:

1. **"Bank"** means a "bank" as defined in Article 2 of the NIPTL but does not include the NBC;
2. **"Bilateral bank payment"** means a payment from one bank to another;
3. **"Settlement"** means the process of payment out of or into a settlement account;
4. **"Single bank payment"** means a payment between a bank and the NBC; and
5. **"Third-party processor"** means a provider of a facility for the communication of payment orders on behalf of banks.

Article 2.-

1. A clearing and settlement is to take place on each banking day in Cambodia for the exchange of payment orders relating to single and bilateral bank payments.
2. To take part in the clearing and settlement, an interbank payment order will reflect a payment transaction on behalf of a customer or participating bank. A payment order submitted by a customer directly to a third-party processor as instructed by its bank is deemed to be the bank's own payment order carrying out the customer's instructions.
3. Participants in the clearing and settlement are banks. The interbank settlement of the clearing takes place on banks' settlement accounts maintained in the NBC.
4. Banks are bound by this Prakas and any operating procedure and directive issued thereunder,
5. This Prakas applies only to credit transfers, and to payment transactions and settlement accounts denominated in riel or US dollars.

Article 3.-

1. To be included in the settlement, each payment order must be either for a single or bilateral bank payment out of and/or into a settlement account. The payment order must contain an irrevocable and unconditional instruction for a payment in either riel or US dollar, and not be subject to any restriction or limitation, except that it may be value-dated as prescribed in an operating procedure. It must comply with specifications prescribed in operating procedures and addressed either to a bank or to the NBC.

2. Subject to the provisions of this Prakas, a payment order which complies with paragraph (1) of this Article will be executed by the NBC by posting a debit and/or credit to a settlement account(s). Each payment order which does not comply with paragraph (1), or that cannot be directed due to insufficient or incorrect data,

authentication failure or any other reason, and each payment order which was wrongly delivered, should be returned to the sending bank, according to a unique sorting code, to be allocated, to that end, by each participating bank.

Article 4.-

Each bank operating in Cambodia that wishes to participate in the domestic settlement of payment orders must open and maintain a settlement account on the books of the NBC and must have it open and operational on such terms and conditions as specified by the NBC.

Article 5.-

1. For each bank the following payments, each initiated by a payment order, can be made into and out of the settlement account:

   ii. single bank payments
   iii. bilateral bank payments
2. The NBC will not debit a settlement account or allow a cash withdrawal from it unless there is sufficient balance to cover the debit amount or withdrawal.
3. A single bank payment such as a cash withdrawal or deposit will be posted by the NBC to the bank's settlement account. Payment out of a settlement account to the NBC is carried out by posting a debit to the bank's settlement account. Payment by the NBC into a settlement account is carried out by posting a credit to the bank's settlement account. A single bank payment becomes final, irreversible and irrevocable when the respective debit or credit is posted to the bank's settlement account.
4. A bilateral bank payment may be initiated by a payment order issued to the NBC and instructing it to debit the paying bank's settlement account and credit another bank's settlement account. Payment is carried out by posting a debit to the paying bank's settlement account and a corresponding credit to the other bank's settlement account. A bilateral bank payment becomes final, irreversible and irrevocable when the respective debit and credit are posted to the banks' settlement accounts.
5. Advice confirming a debit or credit posted to a settlement account under this Article shall be sent by the NBC to each bank participating in the single or bilateral bank payment. Advice shall be sent not later than at such time after the conclusion of the daily clearing as prescribed in an operating procedure.
6. A debit for a cash withdrawal by a bank must promptly be posted by the NBC to that bank's settlement account as soon as the withdrawal is made.
7. For each payment transaction, settlement is completed as soon as any resulting debit or credit, posted to the settlement account of a bank, party to the payment, becomes final, irreversible and irrevocable.

Article 6.-

1. Payment order instructing the NBC to carry out a single or bilateral bank payment may be submitted by a bank to the NBC either individually or as part of a batch.

2. The NBC will carry out payment for each payment order submitted to it (i) only against available funds in the paying bank's account and (ii) at any time before the end of the daily clearing as specified in an operating procedure. For a value-dated payment order as prescribed in an operating procedure, this time shall be on value date.

3. Where adequate funds for payment out of a settlement account are not available to the paying bank, the NBC, at its discretion, may either reject or place the payment order in a pending queue, and advise the instructing bank accordingly. A payment order placed in a pending queue will be executed by the NBC in the sequence of its input and without advance notice only when funds in the paying bank's settlement account become available. The NBC may reject an unexecuted payment order any time before it is executed and will advise the instructing bank accordingly. A bank's payment order that has been neither executed nor rejected during the daily clearing is canceled by operation of law at the conclusion of that daily clearing as prescribed in an operating procedure.
4. Where no adequate funds are available for a whole batch of payment orders, for the purpose of the immediately preceding paragraph, the NBC may treat each payment order included in the batch as transmitted individually. The NBC shall place each such payment order for execution against available funds, queuing, or rejection, in any sequence it deems fit.
5. Unless rejected, or put in a pending queue by the NBC as provided in paragraph (3) above, a bank's payment order given to the NBC is irrevocable and may not be canceled by the bank. For a payment order in a pending queue, cancellation by the instructing bank is effective only when given to the NBC in a manner, time, and according to a procedure stipulated or approved by the NBC, enabling it to act on it before debiting the bank's settlement account.
6. The NBC shall reject any payment order that is not properly authenticated, contains insufficient bank or beneficiary details, or is in breach of this or any other Prakas, operating procedure, or order.
7. A canceled or rejected bank's payment order cannot be executed unless resubmitted as a new payment order by the instructing bank.

Article 7.-
An operating procedure may allow a sending bank to designate a payment order governed by this rule as "priority payment." Subject to the availability of funds in the paying bank's settlement account, the NBC will endeavor to process such a "priority payment" as soon as it receives the payment order so designated.

Article 8.-

1. For the settlement of amounts owed among banks at the completion of an interbank multilateral clearing cycle, a list setting out the debit or credit position for each bank, shall be submitted to the NBC on behalf of all participating banks. The NBC shall carry out settlement by (i) making single bank payments from each bank in a debit position, in the amount of the bank's debit, and subsequently, (ii) making single bank payments to each bank in credit position, in the amount of the bank's credit. No debit or credit posted to a settlement account under this Article becomes final, irreversible and irrevocable before all proper debits are posted to settlement accounts of all banks in a debit position and all proper credits are posted to accounts of all banks in a credit position. Single bank payments under this paragraph may be made into and out of a designated blocked account maintained at the NBC.

2. The NBC shall not carry out settlement under paragraph (1), and seek further instructions for the completion of the settlement under paragraph (1), unless,

(i) It first verified that the total amount owed by all banks in a debit position is equal to the total amount owed to all banks in credit position, and
(ii) For each bank in a debit position, adequate funds for payment out of its settlement account are available to carry out a single bank payment in the amount of the debit.

3. Rules governing an interbank multilateral clearing to be settled under this Article, including the procedures upon non-compliance with any of the conditions under paragraph (b), shall be set out either by the NBC, or by an agreement among all participating bank approved by the NBC.

Article 9.-

1. The NBC may adopt operating procedures, including on specifications for payment orders, time-tables, and procedures governing the clearing and settlement.
2. The Governing Board of the NBC will publish from time to time, its fee schedule prescribing fees and charges for services provided under this Prakas.

Article 10.-

The General Director, the General Secretariat, the General Inspection, the General Cashier and all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 11.-

This Prakas shall have effect from the signing date.

Phnom Penh, 13 December 2006

The Governor

Signed and sealed: **Chea Chanto**

Nº B-9-08-186 Prokor

PRAKAS

ON

CHECK STANDARD

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Article 1.

To make all checks used in the banking system to be uniformed and standardized in order to ensure a smooth and efficient inter-bank clearing and settlement.

Article 2.

Banking Institutions shall design and print check to be providing or distributing to their customers in compliance with Article 4 of the Law on Negotiable Instruments and Payment Transactions. Check shall be standardized in terms of the code, the size, other items, and encode the readable characters as stated in the Guideline on The Characteristics of Check Standard as an Appendix of this Prakas.

Article 3.

The usage of check standard will be implemented after six months from the signing date of this Prakas.

Within the six-months period after issuing this Prakas, banking institutions shall print checks standard as stated in Article 2 to replace the existing checks.

Article 4.

Prakas No B.5.01.65 Prokor dated 30 March, 2001 is hereby repealed by the new Prakas from the implementing date of the check standard.

Article 5.

The General Directorate, the General Secretariat, the General Cashier, the General Inspection, all Departments and branches of the National Bank of Cambodia, and all Banking Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6.

This Prakas shall have effect from the issuing date.

Phnom Penh, September 10, 2008

The Governor

Signed and Sealed **Chea Chanto**

Appendix

Prakas Nº B9-08-186 Prokor Dated September 10, 2008

Guideline:

Characteristics of Check Standards

The National Bank of Cambodia would like to instruct all banking institutions on the designation, format, layout and information content of checks standard issued in Cambodia as follow:

1 – STANDARDS TO BE ADOPTED

Legal Requirements:

With reference to the Article 4 of the Law on Negotiable Instruments and Payment Transactions, a check issued may be written in Khmer or any other language and must contain:

- The term **"check"** inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
- An unconditional order to pay a determinate sum of money;
- The name of the banker who is to pay (drawee);
- A statement of the place where payment is to be made;
- A statement of the date when and the place where the check is drawn;
- The signature of the person who gives the order on the check (drawer)

Check Size and Code Line Area

Check Size:

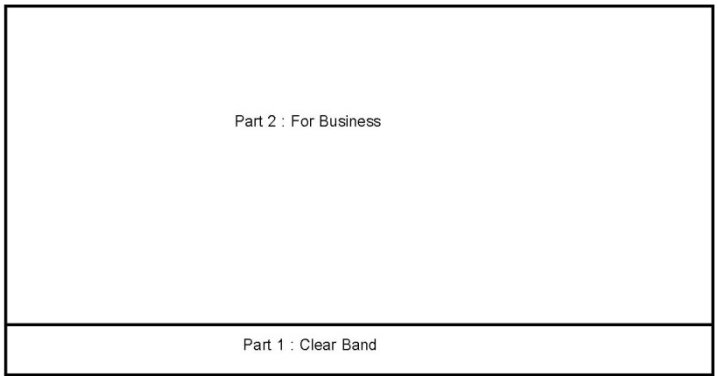
A standard check size is required to facilitate the issue, use, receipt, processing and storage of the physical paper check. The standard check size (excluding counterfoil) is 180 mm long and 90 mm high

Check Layout:

The layout of the check for both the front and the back is identical in respect of the areas reserved for the Code Line. This Clear Band is the area at the bottom of check, 16mm from the bottom edge all through the check length. This clear band is used to encode the check details to be represented in numerals and special symbols using the E13B font for the designated information on the Code Line.

On both the front and the back of the check in the clear band, there must be neither chemical substance nor any marks that can be inspected by any automated reading machines.

Figure 1: Clear Band area on both the front and back of the check



Check Code Line for Automated Processing

Code Line Print Area:

The code line must be printed through the length of the clear band on the front side of the check. Where this is not possible due to damage, overwriting or replacement numbers or it is otherwise unusable for this purpose, then the code line is to be printed to identical specifications on the back side of the check in the reserved Clear Band area.

Code Line Font and Ink:

The code line is to be printed using E13B font to facilitate fast and accurate recognition of numerals.

Clear Band Preservation:

In the clear band, on both sides of the check, there must not be any printing ink or pattern that may affect the efficiency of any automated reading of the E13B printed numerals and special symbols. In particular, the Clear Band must be free of watermark printing, embossed printing, or any other mark, other than E13B characters encoded on the Code Line

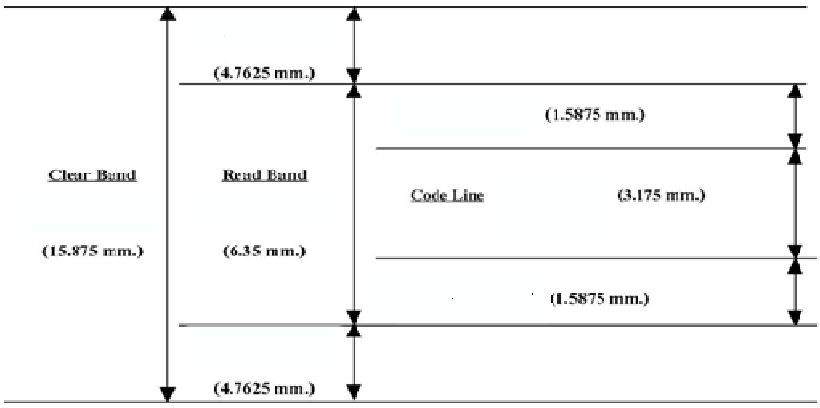
Code Line Placement:

The Code Line is 3.175mm high and is located within the middle of the Clear band.

This code line are within the Clear Band and is bounded by above and below by two clear areas of 1.5875mm each. The Code Line area plus the two clear areas immediately above and below the Code Line are together referred to as the Read Band.

The E13B characters are to be printed only in the Code Line area.

Figure 2: Magnified Placement of Clear Band, Read Band, and Code Line



Code Line Format Specification

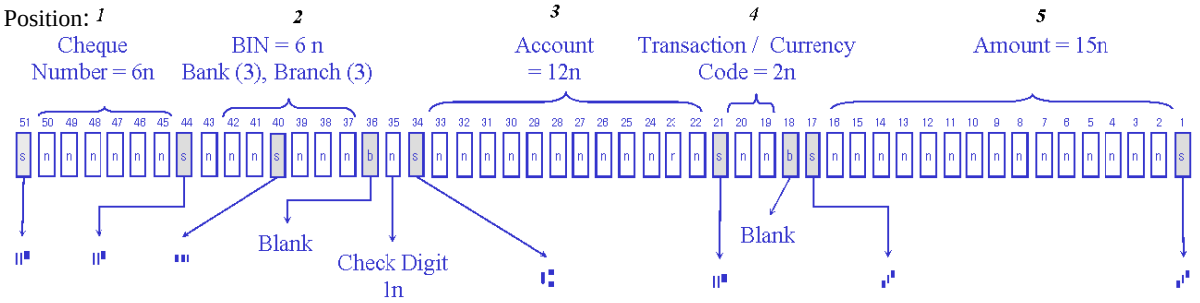
General Standard:

The Cambodian check Code Line standard complies with international Code Line standards as specified in relevant ANSI[8] X9 and related ISO[9] standards. Under the disciplines of these standards, the specific positions of individual numerals and special symbols throughout the length of the Code Line are numbered from the rightmost position of the Code Line – with this being position number "1". A further additional general specification is that the Code Line must have no more than five fields and that no field can be greater than 15 characters.

[8] ANSI: American National Standards Institute

[9] ISO: International Standard Organization

Figure 3: Representation of the full Code Line structure for checks:



Code Line Printing and Encoding Requirements

The data such as check number, bank and branch code, and account number must be encoded by the check-issuing bank with appropriate software and must be printed before providing the check-books to customers.

Special symbols of data in each category must be printed at the same time as the data in that category. For instance, the special symbols for amount of money must be printed at the same time as the amount of money.

Above and beneath the Code Line standard, there are two spaces reserved to facilitate the future expansion of clearing process, such as clearing house code. Should there be an encoding requirement, a code must be printed in such reserved area.

The data fields that are adjacent and have no blank space between them should be encoded at the same time in order to prevent any error caused by deviation of characters and line spacing, which could limit E13B Reader capacity to read accurately.

Position and Detail of Different Data Fields in the Code Line

The data in the Code Line can be divided into five fields, counting from the far right first, and the far left last.

a) Amount Field

There are 15 digits, plus two special symbols indicating the beginning and end of the "Amount" field:

- Position 1: comprises of one special symbols represented by (⑈) to identify an opening amount sign. The right edge of the sign is 8mm away from the right edge of the check.
- Positions 2-16: is the value of check in dollars or Riel (for dollar checks, the cents will always be encoded as the first two right digits, even if there are no cents being paid)
- Position 17: is a special sign represented by (⑈) to identify a closing amount sign. The left edge of this amount field must be 62mm away from the right edge of the check.

Example: The amount of Khmer Riel 99,988,800.00 on Code Line would be:

⑈□□□□□□□9998888□□⑈

Remark: The amendment of number should be conducted by Adhesive foil back Check Correction Label with the thickness not exceeding 0.23mm, and the number must be encoded correctly on this label with the payable amount.

b) Transaction Code Field

Transaction code field is comprised of two digits located at positions 19 and 20 to identify type of currency.

00: for checks payable in KHR.

01: for checks payable in USD

Remark: The Payment and Settlement Committee of the Association of Banks in Cambodia shall discuss with its member banks on the use of this 2-digit transaction code to identify the other types of payment transactions such as credit or debit transactions.

Within the Transaction Code Filed there is a blank space located at position 18.

This is inserted as a separator between amount and transaction code fields to facilitate accurate automated reading of the data.

The left edge of this field must be 71.5mm away from the right edge of the check.

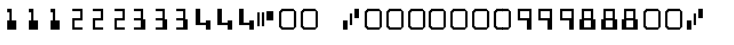
Example: The amount of KHR 99,988,800.00 and currency code that the check is to be paid on Code Line is shown as below:

c) Account Number Field

The Account Number field is comprised of 12 digits located at positions 22 to 33.

This filed also includes one special symbol for account number at position 21 represented by (⑈).

Example: The account number to be included in the Code Line is: 111222333444



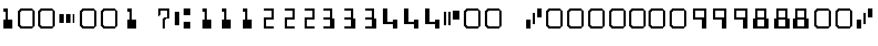
d) Bank and Branch Field (Routing Number)

In many countries the “Bank and Branch” numbers are known as the “routing” number because they are used to determine both the input source bank/branch and the output destination bank/branch.

This field is comprised of a 3-digit bank number, a 3-digit branch code, a blank space, and a one-digit verification number plus special signs (⑆).

- Position 34: is a special symbol represented by (⑆) to identify an opening sign
- Position 35: is a check digit verification number
- Position 36: is a blank space
- Position 37-39: is the branch code
- Position 40: is special sign(⑇)
- Position 41-43: is bank code.

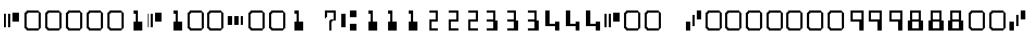
Example: The “bank and branch” and “check digit” number in the code line in this example is: i) Bank number = 100, ii) Branch number = 001 and iii) check digit = 7



e) Check Serial Number Field

The check number field is comprised of a maximum 6 digits plus an opening and closing sign (⑈) at the beginning and the end of the field. The left edge of check number field is 170mm from the right edge of the check. :

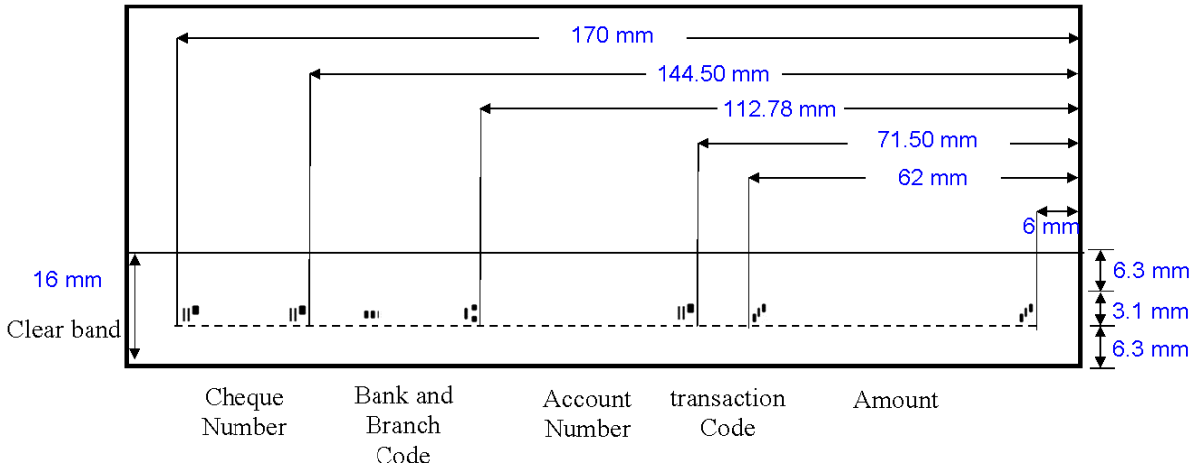
Example: The check serial number to be included in the Code Line is “1”



Physical Placement of Printed or Encoded Characters,

For reference and design purposes, the physical placement and location of the various Code Line characters and fields is summarized in Figure4:

Figure 4: Position for each field of data in Code Line



The E13B Type Font Standard Details

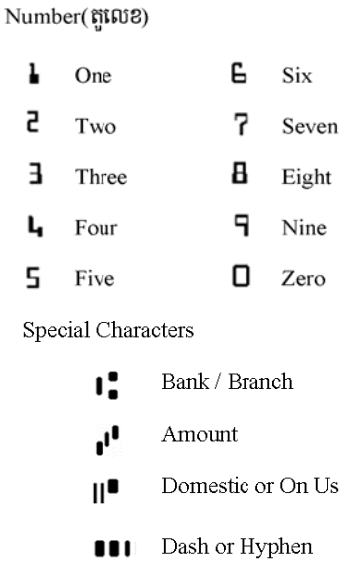
The standard of E13B (numerals and special symbols) shape, size and properties including automated recognition features of the E13B are printed to achieve high visibility.

a) Use and Objective:

This standard font is used internationally and is designed to facilitate the reduction in errors in printing and reading the font and to facilitate the automatic processing of checks or other standardized documents, especially in the banking and finance sectors.

b) Character Configuration *(Numerals, and Special Symbols)*

The E13B for printing the Code Line on the check consists of 10 single digits numerals and three special symbols, as below:



2 – RECOMMENDED CHECK STANDARDS

2.1. Front of Check

The front side of the check is divided into two parts: i) for Business, and ii) Clear Band. The information to be contained within the business area is specified by the relevant legal requirements summarized in 1.1 above.

The more detailed specifications for the areas to be used and the placement of different pieces of information are recommended in the following sections.

2.1.1 Background Color

The background color in the area for business must be white or light color for clear visibility of data. The background color and pattern should be under the following criteria:

(1) For Offset Printing with Offset Printing Pigments

Offset Printing Pigment must not exceed the following percentage:

Color	% Offset Printing Pigment
Yellow -Y	100%
Magenta –M	20%
Cyan -C	20%
Black -B	0%

(2) For Offset Printing or Other Printing without Printing Pigments

The background color and pattern must not be darker than the mixed color created by using criteria for offsetting pigments as stated in the table 2.2.1 *(1)* above.

2.1.2 Date Placement

The Date area is in the top right area, being dot-line of 44mm long with its right end 6mm away from the right edge and 77mm from the bottom edge of the check. The word "Date" must be on the left and on the same level of the dot-line, specified as the Date Field.

2.1.3 Amount Placement

The Amount area must be located under the Date area. It must be a rectangular shape with 10mm wide and 67mm long. The right end of the rectangular box must be 6mm away from the right edge and 47 mm from the bottom edge of the check. There must be a currency code "KHR" for riel checks or "USD" for dollar checks in this box, which is 6mm away from the left edge of the box.

2.1.4 Signature Placement

Signature area shall be on the bottom right of the check and it is 6mm away from the right edge of the check and 10mm up from the Clear Band. This specified position is to facilitate the automated signature verification system, and the E13B Reader.

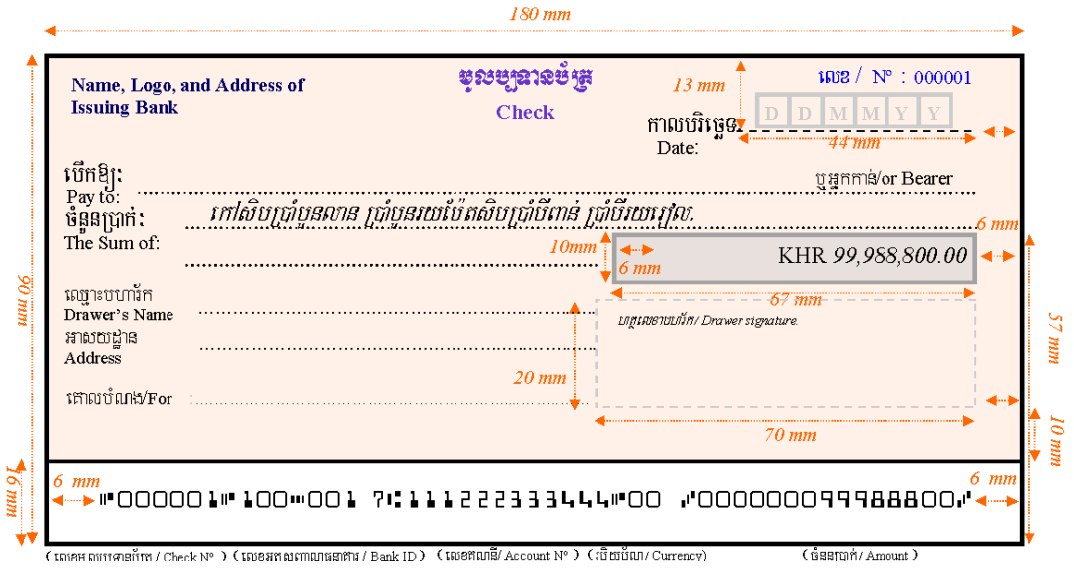
2.1.5 Issuing Bank Name and Address (Branch)

The issuing bank name and address (Bank Logo and Branch) area is in the top left area, being 48mm long and 18mm high, with its left end 6mm away from the right edge and 72mm from the bottom edge of the check.

2.1.6 Issuing Bank Customer Name and Address (Drawer)

The issuing customer name (drawer name and address) area is in the lower middle left aligned area of the check. The banks and financial institutions may or may not include the address of the drawer on the check.

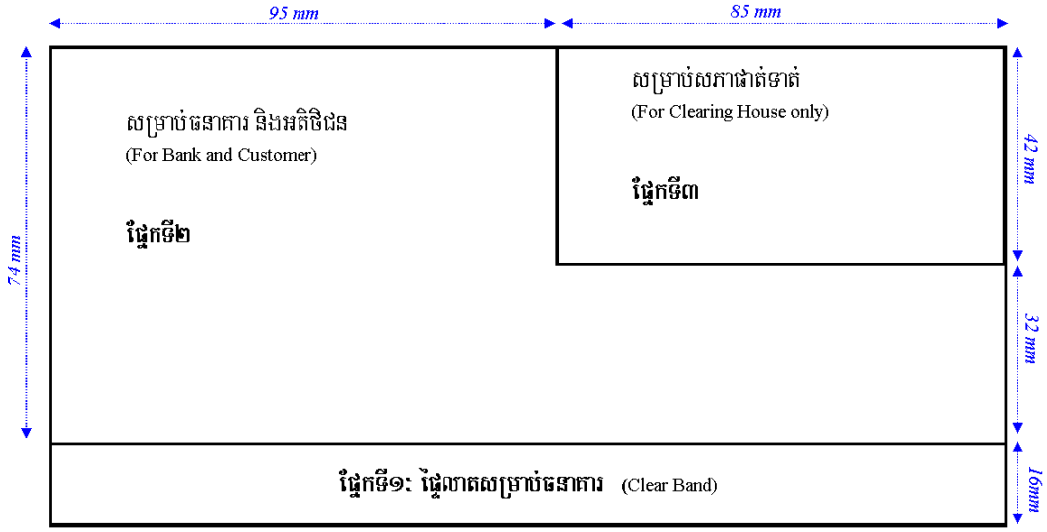
Figure 5: Sample Check's background



2.2-Back of Check

There are three main parts on the back of the check:

Figure 6: Reverse (Back) of Check



2.2.1 Part 1: Clear Band (for Banks)

Clear Band is the area in the lowest part of check with 16mm wide from the bottom edge of the check all through the length of check. This clear band has its position and sizes the same as it is on the front side of the check.

2.2.2 Part 2: For Bank and Customer

The size of this part covers the entire area above the clear band with 74mm wide from the top edge of the clear band all through the length of the check but excluding the area for the clearing house as stated in 2.2.3 below.

2.2.3 Part 3: For Clearing House Only

This part is situated on the upper right of the check with 42mm wide and 85mm long.

The back of the check may include lines separating different areas, and suggestion messages as "For Bank and Customer" and "For Clearing House Only" in light shading color. Some checks may neither have the division line nor suggestion messages.

The printing must comply with the rules stated in 2.2 or there can be suggestions for

allocation of space in the inner cover of the check-book.

3- RECOMMENDATION ON FRAUD PREVENTION

The Check must have its own special features which are designed to prevent forgery and modification of any statements, as below:

3.1 Check-printing Paper

Paper used for printing the check shall have special specifications and good quality.

3.2 Prevention of Modification of Statement

The areas containing important information on check prone to modification, such as payee's name, payable amount (number), payable amount (characters) should be printed with indelible ink on background color or pattern that can prevent modification i.e. special ink that will be visible under ultraviolet ray, or the ink vanishing upon deleted or modified with correcting fluid, etc.

3.3 Prevention of Colored Photocopy

The check must be printed under special techniques to prevent forgery using colored photocopy machine.

The banks and financial Institutions shall formulate the policies and set up internal controlling system for their own check operations.

4- USE OF CHECKS

Instruction for use of check should be printed in the inner cover of check-book as a guideline, as below:

b) On both back and front of the check, there must not be any writing, cutting, rips, staple or stamping or chemical substances that may affect efficiency of the reader machine.

c) Crossing, drawer's signature, or stamping of any seal or statement must not be in the Clear Band area which is used for encoding E13B characters.

d) Do not scratch or erase numerals and special sign of Code Line in Clear Band.

e) To modify any statement, the user must cross out the whole statement, and sign the name above the corrected parts, avoid using correcting fluid.

f) The use of the back of the check is allowed only in the area for bank and customer.

g) Avoid folding and ripping of the check, especially to the area of the check containing the Code Line.

- The bank should ensure that suitable reliable quality perforations are made to enable a clean tear of the check form from the check book stub.

- Hand written information should be as clear and legible as possible and written in black or dark blue indelible ink. The use of fluorescent ink and removable writing medium, such as pencil, must be avoided.

- Hand written information must be inserted in the spaces provided with no space left available for alteration of amount – especially between the currency sign and the amount in figures.

Nº B-9-08-187 Prokor

PRAKAS

ON

THE ESTABLISHMENT OF BANK IDENTIFICATION NUMBER

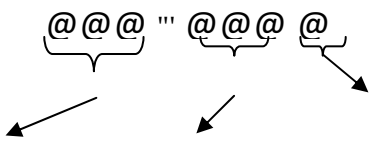
****

Article 1.

To establish Bank Identification Number (BIN) for the Banking Institutions in order to encode the BIN on the check which is readable by reader machine in line with check standardized.

All checks shall include the following in the bank identification number:

a) the code of the bank issued the check,
b) the code of the bank branch issued the check, and
c) the verification number (check digit).



Bank Code Branch Code Check Digit

Article 2.

The codes for the National Bank of Cambodia and Banking Institutions in Cambodia are as follows:

Bank's name	Code
National Bank of Cambodia	100
Foreign Trade Bank of Cambodia	001
Cambodian Commercial Bank Ltd.	003
Cambodian Public Bank	004
Canadia Bank PLC.	005
Krung Thai Bank Public Co.Ltd. P.P Branch	009
Cambodia Asia Bank Ltd.	016
Singapore Banking Corporation	018
May Bank Phnom Penh Branch	020
Union Commercial Bank PLC.	026
Cambodia Mekong Bank Public Ltd.	032

Advanced Bank of Asia Ltd.	036
Rural Development bank	038
First Commercial Bank P.P Branch	040
ACLEDA Bank PLC.	041
Specialized Bank Peng Heng S.M.E. Ltd.	042
Vattanac Bank	043
ANZ Royal Bank Cambodia	044
First Investment Specialized bank	047
CAMKO Bank	052
Shinhan Khmer Bank	053
V.I.P Bank	054
Prosperity Investment Bank	055
Maruhan Japan Bank Plc	056
Booyoung Khmer Bank	061
Phnom Penh Commercial Bank	058
Khmer Union Bank	059
Best Specialized Bank	060

Article 3.

The codes for the National Bank of Cambodia and its branches are as follows:

NBC's head office and branches	**Code**
National Bank of Cambodia (Head Office)	001
Kandal Branch	002
Kampong Cham Branch	003
Battambang Branch	004
Prey Veng Branch	005
Siem Reap Branch	006
Kampong Thom Branch	007
Takeo Branch	008
Svay Rieng Branch	009
Pursat Branch	010

Kampong Chhnang Branch	011
Kampong Speu Branch	012
Kampot Branch	013
Sihanouk Ville Branch	014
Koh Kong Branch	015
Phreah Vihear Branch	016
Kratie Branch	017
Rattanakiri Branch	018
Mondulkiri Branch	019
Stung Treng Branch	020
Banteay Meanchey Branch	021
Phnom Penh Branch	023

The codes for branches of Banking Institutions shall be assigned by individual institution and the respective institution shall send those codes to the National Bank of Cambodia.

Article 4.

The code numbers for Banking Institutions, and the branches of the National Bank of Cambodia which are not stated in this Prakas or are newly established will be assigned by the notice of the National Bank of Cambodia.

Article 5.

Check digit shall be used to verify the accuracy of bank identification number as stated in Article 1. The method for calculating this check digit shall be defined by the National Bank of Cambodia.

Article 6.

In case there is any change of the branch location or the establishment of a new branch, the respective bank shall inform the National Bank of Cambodia within 10 business days before the change.

In the event that any branch of the bank ceases its operation, that ceased branch code is not allowed to be reused to identify a new branch. The new branch shall have a new branch code.

Article 7.

The Banks Identification Number as stated above shall be in effect as and when with the Prakas on checks standard is implemented.

Article 8.

Any legal documents or regulations related to banks identification number is hereby repealed from the implementing date of the check standard.

Article 9.

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 10.

This Prakas shall have effect from the signing date.

Phnom Penh, September 10, 2008

The Governor

Signed and sealed: **Chea Chanto**

Nº B-5-09-228 Prokor

PRAKAS

ON

THE ISSUANCE OF STANDARD CHECK

OF THE NATIONAL BANK OF CAMBODIA

****

Article 1.-

The objective of this Prakas is to issue and put into circulation two types of new standard check, Riel denominated and US Dollar denominated check, to replace the present check in use.

Article 2.-

The new standard check has the following features:

1- General features:
   a. Check size: width 180mm, height 90mm
   b. Check color:
      - Light gold color for Riel denominated check
      - Light jade color for US dollar denominated check
   c. Standard check of the National Bank of Cambodia and its branches are of the same features except for eh address.

2- Special features:

The standard check has been printed on a special paper with the following features:

- The watermarks as decorative flower have been scattered into all over the paper.
- There are two kinds of security fibers (tissues), visible and invisible, have been incorporated into the paper in both side at random. The visible fibers have two different colors: orange and green, non-fluoresce under the ultra-violet light. The invisible fibers fluoresce under the ultra-violet light in tow different colors: orange and green.
- On the left side of the Standard Check, including the NBC's logo (the big and pale) has been printed with the special visible ink which fluoresces under the ultra-violet light into gold color for the Riel denominated check and jade color for the US dollar denominated check.
- The two rectangular boxes in the middle of the right part of the Standard Check have been printed with the special ink which fluoresces under the ultra-violet light into pink color.
- The six lines on the Standard Check are made up by the micro-letters in English inscription: " NATIONAL BANK OF CAMBODIA"
- The Number on the right corner of the Standard Check has been printed with special red ink which fluoresces under the ultra-violet.

Article 3.-

The Direction General, the Secretariat General, the Inspection General, The Cashier General, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the supervisory authority of the National Bank of Cambodia shall strictly implement this Prakas.

Article 4.-

Other previous provisions contrary to this Prakas are hereby repealed.

Article 5.-

This Prakas shall have effect from the signing date.

Phnom Penh, October 19, 2009

Governor

Signed and Sealed: **Chea Chanto**

Nº B-9-08-187 Prokor

PRAKAS

ON

THE INTRODUCTION OF PAYMENT ORDER FORMAT

FOR CREDIT REMITTANCE

****

Article 1.
Introduce the uniform payment order into the banking system for the payment in written or electronic form which serves as the credit remittance.

The payment order will be used in order to transfer funds from payer's account to payee's account where these accounts may or may not be domiciled the same bank or bank branch.

Article 2.

The payment order is used as a legal instrument in compliance with Articles 199, 200, 201 and 202 of the Law on Negotiable Instruments and Payment Transactions. The payment order for the credit remittance shall be standardized and specified in terms of the format and data elements, and information as stated in Appendix to this Prakas.

Article 3.

The General Directorate, the General Secretariat, the General Cashier, the General Inspection, all Departments and branches of the National Bank of Cambodia, and all Banking Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 4.

This Prakas shall have effect from the issuing date.

Phnom Penh, 25 August 2010

The Governor

Signed and Sealed: **Chea Chanto**

Appendix : Prakas Nº B9. 10.150 Prokor dated August 25, 2010

Formal Specification of Payment Order

Format Data and Information to be contained in the Payment Order for Credit Remittance in either written or electronic form are based on three primaries as follows:

- SWIFT
- Card Message Standard
- Check Standard – as set out in Prakas B9-08-186 and the accompanying Appendix

1-TABLE OF CREDIT REMITTANCE INFORMATION: CONTENTS AND FORMAT

NAME OF CONTENTS	FORMAT OF CONTENTS	COMMENT
Payment Type Code	6 numerals	Code equates to "Credit Remittance" (Mandatory)
Date	8 numerals	DDMMYYYY (Mandatory)
Payer Bank/Branch Number	6 numerals	3 for Bank ID, 3 for HO or Branch ID (Mandatory)
Check Digit	1 numeral	Associated with the Bank/HO or Branch Codes (Mandatory)
Payer Account Number	12 numerals	12 or if less consecutive spaces may be used (Mandatory)
Payer Name	35 alpha characters and/or numerals	(Mandatory)
Payer Reference	30 alpha characters and/or numerals	(Optional)
Amount	15 numerals	15 or if less consecutive spaces may be used (Mandatory)
Currency Code	3 numerals	3 for Currency example KHR or USD (Mandatory)
Security Code	18 numerals	Equates to a "Digital Signature" (Generated by system)
Payee Bank/Branch Number	6 numerals	3 for Bank ID, 3 for HO or Branch ID (Mandatory)
Check Digit	1 numeral	Associated with the Bank/HO or Branch Codes (Mandatory)
Payee Account Number	12 numerals	12 or if less consecutive spaces may be used (Mandatory)
Payee Name	35 alpha characters and/or numerals	(Mandatory)
Payee Reference	30 alpha characters and/or numerals	(Optional)

2-LAYOUT OF THE WRITTEN FORM OF THE CREDIT REMITTANCE

Bank Logo

Credit Remittance

Date: □□□□□□□□

Source of Funds: Cash □ Account Transfer: □

Payment Type Code: □□□□□□

Payer Name: □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□

Payer Bank/Branch ID: □□□□□□

Payer Account Number: □□□□□□□□□□□□

Payer Reference: □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□

Amount: □□□□□□□□□□□□□□□

Currency Code: □□□

Payee Name: □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□

Payee Bank/ Branch ID: □□□□□□

Payee Account Number: □□□□□□□□□□□□

Payee Reference: □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□

Signature of Payer

.....

Signature of Agent

.....

N^{o} B5-09-638 SCN

ANNOUNCEMENT

ON

SERVICE CHARGES FOR MONEY TRANSFER IN-OUT WITHIN THE COUNTRY THROUGH THE NATIONAL BANK OF CAMBODIA

National Bank of Cambodia has an honor to inform customers with NBC's account who need to transfer money in- out between Operation Department and Branches of National Bank of Cambodia as following:

- Customers need to make transfer order (as form attached) along with withdrawal check from their accounts.
- Service charge is 0.10% on transferring amount (service are not charged on state budget transfer)
- Minimum amount 12,000 riel or 3 dollars per transaction
- Maximum amount 4,000,000 riel or 1,000 dollars per transaction

Service is charged from bank making the transaction, not the customers who are the recipients once received the money.

This announcement shall have effect from the signing date.

Phnom Penh, 24 August 2009

The Governor

Signed and Sealed: **Chea Chanto**

N^{o} B5-09-860 SCN

Phnom Penh, 14 December 2009

MANAGER OF ALL COMMERCIAL BANKS WHOSE BANKS ARE MEMBERS OF NBC CLEARING HOUSE

Subject : Annual fees for clearing house services

Reference : Rules and procedures for National Bank of Cambodia Clearing House

With the above subject and reference, I have an honor to inform manager of all Commercial Bank whose banks are members of Riel and US Dollars Check Clearing House as follow: in order to comply with rules and procedures for NBC clearing house, appendix 7 on Clearing House Service Charge, National Bank of Cambodia charges on clearing transaction of Riel and US Dollar Check annually amounted to 3,200,000 Riel.

This new service charge will be effective from year 2010 till new announcement released.

As the above mention, all managers should be informed and take action to implement it.

Sincerely yours,

General Director

Signed and Sealed**: Tal Nay Im**

N^{o} B5-010-486 SCN

Phnom Penh, 02 September 2010

DIRECTORS OF PROVINCIAL BRANCHES
OF NATIONAL BANK OF CAMBODIA WITH CLEARING HOUSE

Subject : Fee charges on annual Clearing House service and penalty on return checks at provincial branches of National Bank of Cambodia

Reference : Rules and procedures for National Bank of Cambodia Clearing House

With the above subject and reference, I have an honor to inform manager of provincial branches of National Bank of Cambodia with clearing house as follow: in order to comply with rules and procedures for National Bank of Cambodia Clearing House appendix 7 on National Bank of Cambodia Clearing House Service charge for annual clearing house service and penalty on return riel and US dollars check:

1. Fee on riel and US dollar check clearing house service amounted to 3, 200,000 riel per annum.

2. Penalty on return riel and US dollar check amounted to 8,000 riel per sheet.

Annual service fee and penalty on return riel and US dollar check shall be effective from year 2011.

As the above mention, directors should be informed and announce to commercial bank's branches as clearing house member to cooperate.

Sincerely yours,

General Director

Signed and Sealed**: Tal Nay Im**

N^{o} B5-011-136 SCN

Phnom Penh, 18 March 2011

DIRECTORS OF ALL PROVINCIAL BRANCHES
OF NATIONAL BANK OF CAMBODIA

Subject : Fee charges on annual Clearing House service at provincial branches of National Bank of Cambodia

Reference : National Bank of Cambodia's Governor's endorsement dated 15 March 2011

With the above subject and reference, I have an honor to inform directors of all provincial branches of National Bank of Cambodia as follow: in order to enforce and encourage in using check at provinces, National Bank of Cambodia has revised annual clearing house service charges on riel and US dollar check amounted to 2,000,000 riel for both currencies.
This annual service charge shall be effective from the signing date.
As the above mention, all directors should be informed and announce to commercial bank's branches as clearing house members to cooperate.

Sincerely yours,

Director General for Central Banking Operations

Signed and Sealed**: Nguon Sokha**

N^{o} B5-11-0289 SCN

ADDITIONAL ANNOUNCEMENT

ON

OVERSEAS MONEY TRANSFER

THROUGH THE NATIONAL BANK OF CAMBODIA

Referring to announcement N^{o} B5-08-561 SCN dated June 11, 2008 on Service Charges on Money Transfer via National Bank of Cambodia, National bank of Cambodia has an honor to inform to all General Managers of Banks and Financial Institutions with account at National Bank of Cambodia about additional information regarding US dollars transfer transaction as following:

1. Time to receive money transfer requested documents
   - clear, correct, and enough criteria of money transfer requested documents which had handed to National Bank of Cambodia's officers before 11 AM will be processed within one operational day
   - clear, correct, and enough criteria of money transfer requested documents which had handed to National Bank of Cambodia's officers after 11 AM will be processed on following operational day.

2. Amount of money requested to transfer:
   In case that money will be transferred to only one destination amount of money to be transferred can be requested as actual transaction.

3. Value date
   - In case that requested money transfer below 20 million dollars, value date of money transfer is one day after debiting current account (t+1).
   - In case that requested money transfer above 20 million dollars, value date of money transfer is two days after debiting current account (t+2).

As the above mention is additional information for the money transfer transaction.

This additional announcement shall have effect from the signing date.

Phnom Penh, 17 October 2011

Director General for
Central Banking Operations

Signed and Sealed: **Nguon Sokha**

N° B7-011-241

PRAKAS
ON
FINALCIAL LEASING BUSINESS

*****

Article 1

The purpose of this prakas is to set up, promote and develop financial leasing industry and it serves as guidance for financial leasing business operators in Cambodia.

Article 2

A bank can undertake leasing business as part of its banking operations as defined in article 2.1 of the Law on Banking and Financial Institutions and paragraph 1 of article 34 of the Law on Financial Lease. This includes Commercial banks, Specialized banks and Microfinance institutions. Bank must obtain prior approval from the National Bank of Cambodia. It must be able to demonstrate quality as described in article 4 of this prakas.

Other Institutions intending to provide or are providing financial lease products must apply for a license for financial leasing operation from the National Bank of Cambodia. Details on licensing requirements are specified in a separate parkas.

Article 3

Financial lease means a lease for an initial non-cancelable term of a year or more, in which.-

i- the lessee specifies movable property and selects the supplier without relying primarily on the skill and judgment of the lessor; and

ii- the movable property is acquired by the lessor in connection with a financial lease agreement for leasing to the lessee ;

Provided, however, that a subsequent lease of previously financial leased movable property is from the same lessor, such lease can still qualify as a financial lease.

A lease may be a financial lease without regard to:

i- whether or not the periodic lease payments are calculated so as to take into account in particular the amortization of the whole or a substantial part of the cost of the movable property, or

ii- whether or not the lessee has or subsequently acquires the option to buy the movable property or to hold it on lease for a further period.

Article 4

Commercial banks, Specialized banks and Microfinance institutions who wish to offer the financial leasing business shall:

1. have strong financial conditions and operating performance, solvency ratio, and other financial ratios in compliance with regulations of the National Bank of Cambodia

2. have adequate human and technical resources for performing financial leasing activities
3. have a written business plan for the financial leasing business approved by the board of directors of the bank. Such plan shall include the following essence:
   a- Policies and procedures for business operation
   b- Details of risk management system, internal control system, accounting system and appropriate reporting system. The details of risk management system shall at least include:
      - Cash flow evaluation.
      - Credit analysis system, procedures in setting customer's line of credit, procedures in setting security deposit and other fee.
      - Procedures in property management, including the acquisition of movable property, supplier approval, management of confiscated movable property , the monitoring and inspection of movable property, and the valuation of residual value of movable property and
      - Appropriate concentrations or specializations.

Article 5-

Eligible movable property of a finance leasing transaction may include, but not limited to all property, plants, equipments except land and building.

Unless a law or agreement provides otherwise, movable property that is attached to or installed in a building or land or other movable property is deemed to retain its separate identity and does not become part of the land; building or other movable property to which it is attached.

Article 6 –

All provisions contrary to those of this Prakas are hereby repealed.

Article 7-

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Inspection, General Cashier, all departments of the National Bank of Cambodia, all Banking and Financial Institutions and Financial Lease Companies under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 8-

This Prakas shall have effect from the signing date.

Phnom Penh, 27 December 2011

The Governor

Signed and Sealed: **Chea Chanto**

N° B7-011-242 Prokor

PRAKAS

ON

LICENSING OF FINANCIAL LEASE COMPANIES

*****

Chapter I
General Provision

Article 1.- Objective

The purpose of this Prakas is to set up, promote and develop financial lease industry in the country, as well as to strengthen the supervision over and administration of financial lease companies by providing a guidance for the licensing and regulation of companies engaged in financial lease.

Article 2.- Scope

This prakas covers financial lease companies operating in the Kingdom of Cambodia. Financial lease companies refer to institutions solely engaging in the financial lease business.

Article 3: Registered Capital

The minimum registered capital of a financial lease company is KHR 200,000,000 (two hundred million riel) and the registered capital shall be the paid-in money.

Chapter II

License Application Procedures

Article 4: License Application

1. No person, whether natural or legal, shall carry on financial lease business unless the person holds a license issued by the National Bank of Cambodia.

2. The application for a license shall be drawn up by a duly authorized person (manager or person expressly empowered to such effect) and shall indicate the following:

a. Funding agreement or shareholder agreement.

b. Name or company's name

c. Registered address of the head office, or of the branch in Cambodia in the case of a foreign company.

d. Legal form and the Articles of Association or other founding instrument.

e. Type of securities representing the capital, and connection between the holding of such securities and the exercise of voting rights.

f. Amount of authorized and paid-in equity capital.

g. Distribution of shares and voting rights, and possible agreements between shareholders acting in concert with a view to directing the policy of the institution.

h. Capital contributors which will hold 5% (five percent) or more of the voting rights must provide the information listed in article 13 below.

i. Identity of at least two persons responsible for the effective direction of the finance leasing business. These designated managers must fill in the curriculum vitae and questionnaire appended in Annex II and be attached a copy of criminal records.

j. Identity of the decision-making person. This information must be supplemented by curriculum vitae and a statement certifying the person concerned is not subject to the prohibitions set forth in Article 14 of this Prakas and the person should have at least three years of lease and credit business experience.

k. If the legal entity for which the application is made has already been formed, provide a description of its business and certified copies of its audited financial statement for operations in any of the previous three years.

l. Satisfactory evidence of

- Risk management processes: risk identification, measurement, monitoring and control.
- Plans for controlling the following:
  - Liquidity, interest rate, and maturity risks (asset and liability management);
  - Credit risk;
  - Operational risk;
  - Market risk;
  - Asset Risk;
  - Documentation Risk;
  - Concentration Risk and;
  - All other risks to which the financial lease company will be exposed when engaged in the leasing activities envisaged by the business plan.

Article 5.- Any Change Requested

A financial lease company shall notify the National Bank of Cambodia in the following cases:

a. change of name;

b. change of organizational form;

c. adjustment of business scope;

d. change of registered capital;

e. modification of articles of association;

f. change of registration address;

g. change of directors or senior managers;

h. merger or division; or

i. any other matter prescribed by the National Bank of Cambodia.

Chapter III
License Approval and Related Fee

Article 6: Principle Approval

The National Bank of Cambodia shall provide written notification of its decision within 3 months from the receipt of complete set of application. Where appropriate, the National Bank of Cambodia shall set out the specific conditions and the timetable for the enforcement of the principle approval letter. If the set conditions have not been met upon expiry of the deadline and if no extension has been requested, the principle approval becomes void.

Article 7: License Approval

A Financial lease company must fulfill all conditions set forth in the principle approval letter before receiving license from the National Bank of Cambodia.

Article 8: Validity of a License.

A financial lease company's license is valid for a period of 5 years (five years), from the approval date and it can be renewed.

Article 9: Processing and License Fees.

The Financial lease companies shall pay a processing fee of KHR 500,000 (five hundred thousand riels) upon submission of the application for a license.
The annual license fee shall be paid before January 15 as follows:

- KHR 4,000,000 (four million riel) for a financial lease company head office,
- KHR 2,000,000 (two million riel) for each branch of a financial lease company.

For institutions established during the year, the license fee shall be calculated on a pro rata basis for the remaining period to the year's end.

Chapter IV

Prudential Rules

Article 10: Capital Deposit.

Applicants shall pay up 100% (one hundred percent) of registered capital into an account open with the National Bank of Cambodia prior to commencement of operations.

Each licensed financial lease company shall maintain an amount, bearing no interest, equal to 5% (five percent) of its registered capital in a permanent account with the National Bank of Cambodia.

The National Bank of Cambodia will only reimburse the capital deposit to a licensed financial lease company if it is liquidated and has no other liabilities

Article 11: Reporting Requirements.

A licensed financial lease company shall comply with reporting requirements as follow:

1. A financial lease company shall make information disclosure in accordance with related accounting standards for business enterprises and the related provisions of the National Bank of Cambodia;
2. A financial lease company shall prepare balance sheets, profit and loss statements and other statements as required by Supervisory Authority. The legal representative and other direct handlers shall be responsible for the authenticity of the statements provided;
3. A financial lease company shall submit to the National Bank of Cambodia a monthly report on associated transaction within 15 days of the following month.
4. A financial lease company is required to submit an annual audited report by auditor approved by the National Bank of Cambodia within 4 months as of the end of each accounting year.

Article 12: Prudential Regulation

Financial lease companies shall comply with prudential regulations set forth by the National Bank of Cambodia.

Chapter V
Ownership Structure and Governance

Article 13.- Capital Contributors

Capital contributors must provide the following information to the National Bank of Cambodia:

1. identity of the capital contributor:
    a. In the case of a legal entity, indicate the business name, legal form, address of the head office, audited financial reports, Articles of Association, and other information required by the Supervisory Authority.
    b. In the case of an individual, state his or her full name, date and place of birth, nationality, address and other relevant documents.
2. amount and percentage of the proposed participation and its equivalent in voting rights. Describe in detail the legal and financial arrangements for the acquisition of the shares. If the contributor is an individual, indicate precisely the origin of invested funds.
3. percentage of ownership of share capital of all capital contributor, if needed:
    a. state the distribution of the share capital of the parent company and of intermediate holding companies (give percentages in terms of shareholdings and voting rights);
    b. list the main managers of the capital contributor.
4. if the capital contributor is part of a group, capital contributor shall:
    a. provide a description of the main entities of said group together with an organization chart;

b. Indicate whether the capital contributor has significant equity holdings in other credit institutions both local and oversea.

5. possible relations between capital contributor and the companies with financial activity such as bank, financial lease company or microfinance institution.
6. internal and external audit procedures of the capital contributor.
7. record of offenses of the capital contributor over the last ten year, if any.
8. capital contributor's objectives for the acquisition of an equity holding in the financial lease company applying for a license and give all relevant information.
9. significant business relations between the capital contributor and the applicant.
10. main financial lease relations of the capital contributor in Cambodia.
11. accounts of the capital contributor or its parent company for the last three years and a forecast for the current year (including consolidated information if any). If the capital contributor is a financial institution, furnish information on the main prudential ratios.
12. corporate governance (organizational chart, general assembly of shareholders, the board of directors, the board of supervisors and senior managers) by assigning clear responsibilities to ensure independent operation and effective check and balance as well as efficient policy-making, incentive and constraint mechanism.
13. rules for internal control policies and system.

Article 14.- Capacity of Directors and Managers

No one may be member of a board of directors or supervisory board or a manager of a licensed entity, or either directly or through an intermediary, direct, manage or run a licensed entity in any capacity, or be authorized to sign on behalf of such an institution if he :

1. has been convicted of :
   - a crime,
   - theft, fraud or breach of trust,
   - misappropriation when acting as a public depository,
   - extortion of funds or securities, criminal bankruptcy
   - usury,
   - money laundering,
   - forgery and / or the use of forgeries,
2. has been sentenced to a period of imprisonment for issuing bad checks,
3. has been convicted by a foreign court of law of one of the crimes or offenses listed in sections 1 and 2 above,
4. has been convicted in Cambodia or abroad for personal bankruptcy, receivership, or liquidation of assets,
5. has been relieved of his duties as a law official by virtue of a court ruling,
6. has been involved in a personal capacity in the management of a covered entity whose license has been withdrawn following a disciplinary action.

Each of the directors and managers expected to be appointed must provide at least the following information by filling in the curriculum vitae and questionnaire appended in Annex II.

Chapter VI

Enforcement Actions and Penalties

Article 15.- Regulatory Powers of the Supervisory Authority

1. The National Bank of Cambodia shall license de-license, regulate, supervise and inspect the business of financial lease companies and may issue orders and directions as may be necessary.

2. The National Bank of Cambodia may suspend or revoke the license granted to a financial lease company for any one or more of the following reasons:

a. the company has not commenced business within three months of the grant of license
b. the company has violated any law or regulation governing the operation of the company;
c. the company is unable to effectively carry on finance leasing activities;
d. the company voluntarily terminates its operation after receiving approval for such termination;
e. the company ceases to carry on finance leasing business in the Cambodia;
f. the company is insolvent or is subject to bankruptcy or liquidation proceedings or a receiver of its assets has been appointed; or

Article 16.- Measures against Finance Leasing Companies

1. If a financial lease company has violated the provisions of the Law on Financial Lease and regulations issued by the National Bank of Cambodia, the National Bank of Cambodia shall impose disciplinary sanction on the company according to the Article 35 of the Law on Financial Lease.
2. If a financial lease company goes against the related provisions in the present Prakas, the National Bank of Cambodia may order it to make corrections within a fixed period; if it fails to do so within the fixed period, or its act seriously endangers its stable operation or damages lawful rights and interests of clients, the National Bank of Cambodia shall, by considering the specific situations, adopt such supervisory measures as business suspension or restriction of shareholders' rights, etc. in accordance with existing regulations.

Article 17.- Transactional Sanctions

In addition to the disciplinary sanction, the National Bank of Cambodia shall impose transactional sanctions:

1- Financial lease companies which do not comply with reporting deadline requirement will be subject to the following fines:

a. For report: No. of days late — Amount

- From 1 to 5 days — KHR 50,000 (fifty thousand riels) per day
- From 6 to 10 days — KHR 300,000 (three hundred thousand riels) per day
- From 11 to 15 days — KHR 700,000 (seven hundred thousand riels) per day
- From more than 16 days, financial lease companies will be subject to a written warning and public announcement.

b. For replies letters and other information:

No. of days late — Amount

- From 1 to 5 days — KHR 50,000 (fifty thousand riels) per day
- From 6 to 10 days — KHR 300,000 (three hundred thousand riels) per day
- From more than 11 days, financial lease companies will be subject to a written warning and public announcement.

2- Infringement of the National Bank of Cambodia's regulations will be subject to a fine of KHR 1 million (one million riels) per day starting from the enforcement date imposed by the National Bank of Cambodia.

Chapter VII
Final Provision

Article 18.-

Any person or company engaged or is engaging in financial lease business without license shall apply for a license from the National Bank of Cambodia within 6 months (six months) from the date this Prakas comes into effect.

Article 19.-

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Inspection, General Cashier, all departments of the National Bank of Cambodia, and Financial Lease Companies under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 20.-

This Prakas shall have effect from this signing date.

Phnom Penh, 27 December 2011

The Governor

Signed and Sealed: **Chea Chanto**

Annex I

MODEL LETTER
TO BE SENT TO THE GOVERNOR OF THE NATIONAL BANK OF CAMBODIA

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Dear Sir,

With a view to my appointment as a manager of (name of company) where I will hold the position of (.....) please find herewith the information (including curriculum vitae and questionnaire provided for in Annex II) requested under article 13 of this Prakas. I hereby certify that the information is complete and accurate and that, to the best of my knowledge there are no other material facts of which the National Bank of Cambodia should be informed. In particular, I certify that I am not subject to the prohibitions listed in article 14 this Prakas.

I undertake to inform the National Bank of Cambodia immediately of any change which would significantly alter the information provided.

I further undertake to ensure that the institution of which I am a manager will provide the National Bank of Cambodia with all regulatory information concerning its administrative and accounting organization, its financial condition, particularly regarding the quality of its leasing properties, and the financial condition of its shareholders.

Very truly yours,

Signature

Annex II

CURRICULUM VITAE

and

Questionnaire for individuals who are, or who propose to become,

Directors, Shareholders or Managers of a Financial Lease Company

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1. Family name: .....

2. Given name(s): .....

3. Other name(s) by which you are or have been known: .....

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4.1. Please state in what capacity you are completing this form, i.e. as a current or prospective director, shareholder or manager or any combination thereof.

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4.2. Please describe the particular duties and responsibilities attaching to the position(s).

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4.3. In carrying out your duties, will you act in concert with or in accordance with the instructions of another individual or legal entity other than the applicant? In either event, give all relevant information.

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4.4. Indicate if you are a capital contributor to the applicant and if you intend to carry out, directly or through an intermediary, personal or professional transactions with the applicant.

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5. Your private address: .....

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6. Your previous private address(es) during the last 5 years :

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7. Your date (day/month/year) and place of birth (including district, town or city).

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8. Your nationality and how it was acquired (birth, naturalization, marriage).

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9. Name(s) and address(es) of your bankers within the last 5 years.

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10. Your academic degrees and/or professional qualifications and the place and year they were obtained.

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11.1 Your current occupation and employment and over the past 10 years, including the name and address of the employer in each case, the nature of the business, the position held and relevant dates.

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11.2 Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) in a company other than the applicant. If so, state the name and activities of such companies and the amount of your shareholding or interest in them.

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11.3. Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, has or might soon have significant business relations with the applicant.

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12. Have you or any entity with which you are associated as a director, shareholder, or manager ever held or applied for a license or to carry on any business activity in any country? If so, if any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

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13. Have you, or any entity with which you have been involved in the conduct of its affairs, been disciplined, warned as to future conduct, publicly criticized, or the subject of an investigation by any regulatory supervisory authority or any professional body? If so, give particulars.

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14. Have you, in any country, been dismissed from any office or employment by your employer or barred from entry to any professional or occupation? If so, give particulars.

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15. Have you failed to satisfy any debt adjudged due and payable by you under an order of a court, or have you been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

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16. Have you, in connection with the management of any entity been adjudged by a court, in any country, to be legally liable for any fraud, or other misconduct by you toward such an entity or any of its members? If so, give particulars.

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17. Are you now, or do you other than in a professional capacity, expect to be, engaged in any litigation in any country? If so, give particulars.

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18. Please supply an audited statement of personal net worth providing a breakdown of your assets and liabilities.

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19. Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

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20. Is there any additional information which you consider to be relevant for the consideration of your suitability for the position(s) listed in Question 4.1? The omission of material facts may constitute the provision of misleading information (see declaration below).

N.B. The information provided in response to this questionnaire shall be kept fully confidential by the National Bank of Cambodia, except in cases provided for by law.

DECLARATION

I am aware that it is an offense to knowingly or recklessly provide any false or misleading information in connection with an application for a banking license or a renewal of a license for a financial lease company.

I certify that the information provided in response to the above questions are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank of Cambodia should be aware.

I undertake to inform the Supervisory Authority of any changes material to the application which arises while the Supervisory Authority is considering the application.

Name ……..

Position held ……...

Signed : ……Date / /

List of Regulations Repealed

1. B-7-00-52 Prokor dated February 17, 2000 on Controlling Bank's Large Exposures. Repealed by B-7-06-226 Prokor dated November 03, 2006 on Controlling Bank and Financial Institutions' Large Exposures.

2. B-9-98-386 Prokor dated July 23, 1998 on Service Charge for Money Transfer of Commercial Banks. Repealed by B-9-98-411 Prokor dated August 19, 1998 on Money Transfer of Commercial Banks.

3. B-798-366 BIS dated June 15, 1998 on the Limitation of Service Charge for Money Transfer of Commercial Banks. Repealed by B- 9-98-411 Prokor dated August 19, 1998 on Money Transfer of Commercial Banks.

4. B-7-96-153 BIS Prokor dated October 25, 1996 on Licensing of Banks Incorporated under Local Law. Repealed by B-7-00-04 Prokor dated January 10, 2000 on the Licensing of Commercial Banks.

5. B-7-95-73 Prokor dated May 16, 1995 on Announcement on Determination Base Rate for Refinancing. Repealed by B-5-01-210 Prokor dated December 25, 2001 on determination of Refinancing Basic Interest Rate.

6. B-7-95-03-Order dated May 22, 1995 on Risk Cover Ratio. Repealed by B7-00-46 Prokor dated February 16, 2000 on Banks' Solvency Ratio.

7. B-7-95-02 CIR dated March 30, 1995 on the Late Submission of the Commercial Bank's Report. Repealed by B-7-06-211 Prokor dated September 13, 2006 on Reporting Date for Commercial Banks and Specialized Banks.

8. B-7-95-02 RGT dated March 30, 1995 on the Late Submission of the Commercial Bank's Report. Repealed by B7-06-211 Prokor dated September 13, 2006 on Reporting Date for Commercial Banks and Specialized Banks.

9. B-7-95-001 CRL dated January 20, 1995 on the Monitoring of banks' or Financial Institutions' Open Foreign Exchange Positions. Repealed by B-7-07-134 Prokor dated August 27, 2007 on Monitoring of Banks' and Financial Institutions' Net Open Position in Foreign Currency

10. B-7-95-01 RGT dated January 16, 1995 on the Monitoring of banks' or Financial Institutions' Open Foreign Exchange Positions. Repealed by B-7-07-134 dated August 27, 2007 on Monitoring of Banks' and Financial Institutions' Net Open Position in Foreign Currency.

11. B-7-94-78 Prokor dated December 31, 1994 on Classification and Policy Regarding the Creation of Provisions for Bad and Doubtful Debts by a Commercial bank. Repealed by B7-00-51 Prokor dated February 17, 2000 on the Classification of and Provisioning for Bad and Doubtful Debts Including Interest in Suspense.

12. B-7-94-002 CRC dated December 31, 1994 on Classification and Policy Regarding the Creation of Provisions for Bad and Doubtful Debts by a Commercial bank. Repealed by B7-00-51 Prokor dated February 17, 2000 on the Classification of and Provisioning for Bad and Doubtful Debts Including Interest in Suspense.

13. B-7-94-002 CRC dated December 30, 1994 on Base Period, Maintenance Period and Reporting Date to be replaced by new circular which will be issued by the end of each year.

14. B-7-94-001-R3 dated January 01, 1993 on Conditions for Commercial Banks. Repealed by the following Prakas:

- Law on Banking and Financial Institutions dated November 18, 1999
- B7-00-04 dated January 10, 2000 on the Licensing of Commercial Banks
- B7-00-05 dated January 11, 2000 on the Licensing of Rural Credit Specialized Banks
- B7-00-06 dated January 11, 2000 on the Licensing of Microfinance Institutions
- B7-01-136 dated October 15, 2001 on Bank's Capital Guarantee
- B7-0 1-187 dated November 08, 2001 on Transfer of Shares of Banks
- B7-06-210 dated September 13, 2006 on Amendment to Prakas on Fee for Increase Capital of Banking and Financial Institution

15. NBC 593-208 Prokor dated November 22, 1993 on Using Language and Currency Unit for Accounting Transactions and Reports. Repealed by Prakas B7-07-164 dated December 13, 2007 on Using Language, Currency Unit and Exchange Rate For Accounting Transactions and Reports.

16. NBC 593-01-R1 dated January 18, 1993 on the Maintenance of a Deposit Guarantee with the National Bank of Cambodia by a Licensed Bank. Repealed by the following Prakas:

- B7-00-04 dated January 10, 2000 on the Licensing of Commercial Banks
- B7-01-136 dated October 15, 2001 on Bank's Capital Guarantee
- B7-07-134 dated August 27, 2007 on Monitoring of Banks' and Financial Institutions' Net Open Position in Foreign Currency

17. B-7-09-51 Prokor dated February 17, 2000 on the Classification of and Provisioning for Bad and Doubtful Debt including Interest in Suspense and B-7-02-145 Prokor dated June 07, 2002 on the Classification of and Provisioning for Bad and Doubtful Debt including Interest in Suspense. Repealed by B-7-09-074 dated February 25, 2009 on Asset Classification and Provisioning in Banking and Financial Institutions.

18. B-7-04-01 CL dated November 08, 2004 on Non-Performing Loans, Provision and Interest Accounting. Repealed by B.709-074 dated February 25, 2009 on Asset Classification and Provisioning in Banking and Financial Institutions

19. B-705.01 CL dated January 21, 2005 on Installment Loans Classification and

Provision. Repealed by B-7-09-074 dated February 25, 2009 on Asset Classification and Provisioning in Banking and Financial Institutions.

20. B-7-00.47 Prokor dated February 16, 2000 on the Calculation of Banks' Net Worth. Repealed by B-7-010-182 dated October 15, 2010 on the Calculation of Banks 'Net Worth.

21. B-7-00-39 Prokor dated February 09, 2000 on the Commercial Banks' Minimum Capital. Repealed by Prakas B.7-010-182 dated October 15, 2010 on the Calculation of Banks' Net Worth.

22. B-7-05.001 CL dated June 15, 2005 on the Selections of Independent Auditors by Bank and Financial Institutions. Repealed by Circular B-7-010-002 CL dated 29 December 2010 on the Selection of Independent Auditors for Annual Audit of Bank and Financial Institutions.

23. B-7-93-282 Prokor dated December 30, 1993 on the Maintenance of Reserves Against Deposits and Other Borrowings by a Financial Institution. Repealed by Prakas B.7-09-075 dated February 25, 2009 on the Maintenance of Minimum Reserve Requirement in Bank and financial Institutions.

24. B-7-93-287 Prokor dated December 30, 1993 Circular on the Methods of Maintenance of Required Reserves against Deposits and other Borrowings by a Financial Institution and Their reports. Repealed by Prakas B.7-09-075 dated February 25, 2009 on the Maintenance of Minimum Reserve Requirement in Bank and financial Institutions.

25. B-7-07-02 dated 19 December 2008 on Based Period, Deposited Period, and Reporting Date. Repealed by Prakas B.7-09-075 dated February 25, 2009 on the Maintenance of Minimum Reserve Requirement in Bank and financial Institutions.

26. B-5-95-47 Prokor dated March 16, 1995 on the Liberalization of Interest Rate Setting. Repealed by Prakas B-7-09-213 dated September 09, 2009 on the Liberalization of Interest Rate Settings.

27. B-7-06.073 Prokor dated February 17, 2000 on the Utilization and Protection of Credit Information. Repealed by Prakas B.7-011-145 dated May 24, 2011 on the Credit Reporting.

28. B-7-06.101 Prokor dated 22 June 2006 on the Implementation of Credit Information Sharing System Management Guideline. Repealed by Prakas B.7-011-145 dated May 24, 2011 on the Credit Reporting.

29. B-7-06.102 Prokor dated 22 June 2006on the Establishment of Board of Directors of Credit Information Sharing System. Repealed by Prakas B.7-011-145 dated May 24, 2011 on the Credit Reporting.

30. B-7-06-103 Prokor dated 22 June 2006 on the Establishment of Management

Committee of Credit Information Sharing System. Repealed by Prakas B.7-011-145 dated May 24, 2011 on the Credit Reporting.

31. B-7-06-104 Prokor dated 22 June 2006 on the Establishment of Operators and Secretariats of Credit Information Sharing System. Repealed by Prakas B.7-011-145 dated May 24, 2011 on the Credit Reporting.

32. B-7-02-206 Prokor dated 21 October 2002 on Standardized Procedure for Identification of Money Laundering at the Banking and Financial Institutions. Repealed by Prakas B.7-08-089 dated 30 May 2008 on Anti- Laundering and Combating Financing of Terrorism.

33. B-7-03-02 CL dated 04 October 2003 on Suspicious Transactions and Know your Customer Policies. Repealed by Prakas B.7-08-089 dated 30 May 2008 on Anti- Laundering and Combating Financing of Terrorism.

34. B-9-99-100 dated 10 September 1999 on the Business Management of Precious Metals and Stones. Repealed by Prakas B.9-09-262 dated 29 December 2009 on Licensing to Conduct the Business of Precious Metals and Stones Import/Export.

35. B-5-01-65 dated 30 March 2001 on Adoption of New Form of Check. Repealed by Prakas B.9-08-186 dated 10 September 2008 on Check Standard.

36. B-998-393 dated 5 August 1998 on Management of Foreign Exchange Dealers. Repealed by Prakas B.9-09-230 dated 19 October 2009 on Money Changer License or Authorization.

37. B-5-02-593 dated 27 December 2002, Announcement on the Changes of interest rate on Fixed Deposit, Reserve Requirement and Capital Guarantee in USD. Replaced by Prakas N5-09-011 on the determination of interest rate on Fixed Deposit, Reserve Requirement and Capital Guarantee in USD

List of Regulations Only Amending Other Regulations

1. Prakas B7-07-135 dated August 27, 2007 on Amendment of Prakas Relating to Banks' Solvency Ratio.
2. Prakas B7-06-210 dated September 13, 2006 on Amendment to Prakas on Fee for Increase of Capital of Banks and Financial Institutions
3. Prakas B7-06-208 dated September 13, 2006 on Amendment to Prakas on Granting License to Specialized Banks
4. Prakas B7-06-207 dated September 13, 2006 on Amendment to Prakas on Licensing of Commercial Banks
5. Prakas B7-05-212 dated November 29, 2005 on Amendment of Prakas Standardized Procedures for Prompt Corrective Action for Banking and Financial Institution.
6. Prakas B7-04-207 dated December 29, 2004 on Amendment of Prakas of Relating to Liquidity for Banks and Financial Institutions.
7. Prakas B7-04-206 dated December 29, 2004 on Amendment of Prakas Relating to the Banks' Solvency Ratio.
8. Prakas B7-02-187 dated September 13, 2002 on Amendment of Prakas Relating to Liquidity for Banking and Financial Institutions.
9. Prakas B7-02-146 dated June 07, 2002 on Amendment on Prakas No 7.01-137 on Loans to Related Parties
10. Prakas B7-02-145 dated June 07, 2002 on Amendment on Prakas No B7.00-51 on the Classification & Provisioning bad & Doubtful Debts including Interest in suspense.
11. Regulation B7-97-02 dated December 26, 1997 on the Amendment on the Maintenance of Required Reserves against Deposits and Other Borrowing for Financial Institutions.

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