



**Kingdom of Cambodia
Nation Religion King**



Financial Sector Development Strategy 2016–2025



**Adopted by the Council of Ministers in
the Plenary Session on 21 October 2016**

ROYAL GOVERNMENT OF CAMBODIA



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Foreword

Under wise leadership of **Samdech Akka Moha Sena Padei Techo Hun Sen**, Prime Minister of the Kingdom of Cambodia, Cambodia has achieved remarkable progress in every sector over the past 2 decades, especially in maintaining full peace, political stability, sustainable high growth at an average of nearly 8% per annum, which then significantly reduced poverty rate from above 53% in 2004 to approximately 13.5% in 2014. Rapid development has brought Cambodia into a new page of history by changing its status from low-income to middle-income countries and was ranked by the World Bank as one of the world's eight Olympians of growth. These came from the right choices and proper policy implementation of the Royal Government to create conducive environment for the private sector and ensure macroeconomic stability by prudent monetary and fiscal policies, along with necessary reforms in all sectors.

Such great achievements also reflect active contribution from the financial sector, which has been growing rapidly after the Royal Government launched important initiatives in developing the fledgling Cambodian financial sector; that is adopting the Vision and Financial Sector Development Plan 2001–2010 in 2001 and updated the strategy twice consecutively to the Financial Sector Development Strategy 2006–2015 and Financial Sector Development Strategy 2011–2020. This strategy has been serving as a roadmap for long-term development of the financial sector in Cambodia.

Over periods of the implementation, the financial system has notable progress. Actually, banking and microfinance sectors have been growing significantly in terms of scope and scale, while the insurance sector made steady progress in providing general insurance, vehicle insurance, life insurance and microinsurance. The stock market in Cambodia was launched in 2012 and is currently at the stage of development and capacity building. The advancement of financial infrastructure including continued modernization of payment systems, improved legal and regulatory framework, governance, transparency, and security network in the sector also contributed substantially to efficient and secured functioning of the financial system.

Meanwhile, the development of financial sector also faces challenges that require resolution and additional strategies to align with the rapid evolution of financial markets in Cambodia, the evolution of international financial architecture, and momentum of regional and global integration, as well as based on past experiences and new lessons from implementation. On such basis, the Royal Government, with technical assistance from Asian Development Bank, has decided to update the Financial Sector Development Strategy 2011–2020 to Financial Sector Development Strategy 2016–2025.

Financial Sector Development Strategy 2016–2025 aims at achieving a sound, efficient, diversified, and inclusive market-based financial system that can broadly fulfill domestic demand for financial services and is able to effectively support sustainable economic growth, raise people’s income, reduce poverty, and align with regional economic and financial integration. The Royal Government also takes a flexible approach in implementing the strategy to better respond to the evolution of the current situation and ongoing needs.

The Financial Sector Development Strategy 2016–2025 was prepared by the Steering Committee on Financial Sector Development and its technical working group, which is composed of members from the Ministry of Economy and Finance, National Bank of Cambodia, Securities and Exchange Commission of Cambodia, Ministry of Commerce, Ministry of Post and Telecommunication, and Ministry of Social Affairs, Veterans, and Youth Rehabilitation. The technical working group had been working with the Asian Development Bank’s mission team to prepare, review, and refine carefully and with high responsibility since the fourth quarter of 2015. During the updating process, there were also active consultations with relevant ministries and agencies, development partners, and private sector through series of separate meetings, plenary meetings, and five public consultation workshops by subsectors in order to get additional feedback to make the strategy more comprehensive and particularly reflect the real needs of the private sector.

The draft Financial Sector Development Strategy 2016–2025 was presented to the Steering Committee on Financial Sector Development meeting for review and approval on 14 July 2016, and was submitted to the Economic and Financial Policy Committee meeting for review and approval on 17 August

2016. It was finally submitted to the council of ministers meeting for adoption on 21 October 2016.

The overall process of Financial Sector Development Strategy 2016–2025 has run smoothly with high responsibilities of relevant ministries and agencies, especially the technical working group. We would like to deeply thank the ministries and government agencies for their active contribution in developing, coordinating, and providing inputs for the Financial Sector Development Strategy 2016–2025 of the royal government.

Once again, we would like to express our sincere appreciation to the Asian Development Bank for providing appropriate technical assistance as well as to all relevant stakeholders for their participation in developing the strategy from the beginning.

Phnom Penh, 28 November 2016

Aun Porn Moniroth
Senior Minister
Minister of Economy and Finance

Chea Chanto
Governor
National Bank of Cambodia

Acknowledgments

The Government of Cambodia wishes to express sincere thanks to the steering committee and the technical working group for implementing the financial sector development strategy, as well as all the related ministries and government agencies that contributed to the development of the Financial Sector Development Strategy 2016–2025.

The government would also like to thank the Asian Development Bank and its consultants for providing strategic and technical inputs in developing the Financial Sector Development Strategy 2016–2025.

Abbreviations

ACCA	Association of Chartered Certified Accountants
ACMF	ASEAN Capital Markets Forum
ACU	Anti-Corruption Unit
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
APN or AsiaPay	Asia Payment Network
ATM	Automated Teller Machine
BIS	Bank for International Settlements
BSRS	Bank Supervisory Reporting System
CAFIU	Cambodian Financial Intelligence Unit
CFA	Chartered Financial Analyst
CFT	Combating the Financing of Terrorism
CISAA	Cambodian International Standards on Auditing and Assurance
CIFRS	Cambodian International Financial Reporting Standards
CPA	Certified Public Accountant
DB	Defined Benefit
DC	Defined Contribution
DNFBPs	Designated Non-Financial Businesses and Professions
EFT	Electronic Funds Transfer
FATF	Financial Action Task Force on Money Laundering
FRTI	Financial Regulators Training Initiative
GDP	Gross Domestic Product
IAC	Insurance Association of Cambodia
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
IVSC	International Valuation Standards Council
KICPAA	Kampuchea Institute of Certified Public Accountants and Auditors
MOU	Memorandum of Understanding
MPTC	Ministry of Post and Telecommunication
NAC	National Accounting Council
NDTIs	Non Deposit Taking Institutions
NFV	National Fund for Veterans
NSSF	National Social Security Fund

NSSFC	National Social Security Fund for Civil Servants
QIP	Qualified Investment Project
ROA	Return on Asset
ROE	Return on Equity
RTGS	Real Time Gross Settlement
SMEs	Small and Medium-Sized Enterprises
SOEs	State Owned Enterprises
WEL	World Education Australia Limited

Executive Summary

- i. Cambodia's Vision and Financial Sector Development Plan 2001–2010 (Blueprint) focused on the development of a sound, market-oriented financial sector that will mobilize and allocate resources to support sustainable economic growth. In 2006, the first Blueprint 2001–2010 was updated to become the Financial Sector Development Strategy (FSDS) 2006–2015. A second update in 2011 became the Financial Sector Development Strategy (FSDS) 2011–2020.
- ii. In response to economic development and in line with changes of global and regional economic and financial conditions, the Royal Government decided to update the strategy for the third time as “Financial Sector Development Strategy 2016–2025,” with the vision to achieve a sound, efficient, diversified, and inclusive market-based financial system that can broadly fulfill domestic demand for financial services and is able to effectively support sustainable economic growth, raise people's income, reduce poverty, and align with regional economic and financial integration.
- iii. The FSDS 2016–2025 reflects Cambodia's economic achievements to date and provides an assessment of current challenges and constraints, and action plans for the future. The FSDS 2016–2025 synthesizes and prioritizes the goals, strategies, and plans for each subsector of the financial system, and aligns these with the long-term vision for the financial sector as a whole. It also serves as a guide to enable development partners to coordinate the capacity building and other forms of technical assistance that they provide.
- iv. The FSDS 2016–2025 draws on the results, lessons, experiences, and challenges from implementing the previous strategies. The FSDS 2016–2025 is designed to be flexible to respond to changing conditions in the economic, social, and political situation in Cambodia; to financial industry developments; and to the changes and challenges that result from Cambodia's increasing integration into the regional and global markets.

Major Achievements over the Past 15 Years

- v. The government has achieved a great deal over the past 15 years through the implementation of many reforms. Among the most notable are

- passage of major commercial and financial sector laws to support development of a sound and market-driven financial sector;
 - restructuring of the banking sector and the strengthening of key financial institutions;
 - introduction of the financial sector infrastructure necessary to support financial market activities and improve outreach to the rural poor;
 - development of other financial subsectors such as securities, life insurance, pension, pawn business, and real estate;
 - development of human resources and specialized knowledge; and
 - expansion of the role of financial sector to mobilize the domestic financial resources needed to meet the demands of a fast growing economy.
- vi. Along with past achievements, the FSDS 2016–2025 is intended to address the following key challenges:
- Emerging risks and challenges from external shocks that could jeopardize Cambodia’s achievements to date;
 - Internal risks caused by delays in implementing critical reforms that could impact financial stability;
 - Weak policy coordination that delays the addressing of gaps in the legal and regulatory framework, and the pace of upgrading institutional infrastructure to keep up with rapid developments in the industry;
 - The ongoing need to upgrade financial sector human resources and sustain these improvements;
 - The need to harmonize relevant legal and regulatory frameworks so they keep pace with developments in the financial sector; and
 - The need for concerned authorities to collaborate in order to avoid interconnected risks that could damage the whole economy.

Preparing for Challenges

- vii. To prepare for any challenges that may arise during implementation, the FSDS 2016–2025 will require
- awareness, preparedness, and close coordination among all key stakeholders;
 - regular monitoring of achievements and early identification of problems in order to address problems swiftly and in an appropriate manner;
 - allocation of the resources necessary to implement this strategic plan;
 - ownership of this strategic plan by all relevant authorities;

- clarity about who is responsible and accountable for implementing the action plans;
- cooperation among international organizations and development partners that provide technical assistance and other forms of support, and oversight by the concerned authorities; and
- building a sound foundation for ongoing capacity development.

viii. Additional challenges worth emphasizing include

- keeping up with international standards of risk-based supervision as well as the pace of financial market development, and strengthening the cooperation framework that covers all the concerned authorities to help facilitate information sharing and effectively manage any crisis that occurs;
- recognition by all concerned that designing the institutional framework required for regulating and supervising the financial sector as a whole and updating the current legal framework will take years before all has been adopted by the legislature;
- strengthening technical capacity in key new areas in order to keep up with the increasing interconnection of the banking, securities, and insurance sectors, as well as new risks emerging that could threaten financial stability;
- good technical skills and well-coordinated supervision to assess and address emerging market, operational, and liquidity risks;
- developing risk awareness and the capacity to make good judgments for supervisory staff at all levels;
- incentives to retain specialized staff that have been trained by various regulatory agencies so they resist offers of jobs in the private sector;
- achieving compliance with international standards in order to harmonize and integrate Cambodia's financial system with those of other countries in the Association of Southeast Asian Nations (ASEAN) region;
- effectively implementing regulations intended to improve data quality, transparency, corporate governance, business ethics, market disclosures, and achieve fair competition across the financial sector; and
- promoting use of the national currency in the economy and monitoring the risks involved.

Objectives and Strategies

- ix. The objective of the FSDS 2016–2025 is to develop a sound, efficient, diversified, and inclusive market-based financial system that can broadly fulfill domestic demand for financial services and is able to effectively support sustainable economic growth, raise people’s income, reduce poverty, and align with regional economic and financial integration.
- x. New finance industry developments require ongoing adjustments to the institutional framework. Given the interconnection among the banking sector, insurance sector, and securities market, ensuring effective supervision of these three sectors through an effective cooperation mechanism among related financial sector authorities is important.
- xi. The government will seek to remove any inconsistencies between existing laws and international standards and ensure effective supervision in situations where the responsibilities of supervising agencies overlap concerning the activities of finance sector participants.
- xii. A crisis management framework is being developed and will require periodic testing to ensure that it suits Cambodia’s economic and financial conditions and addresses the new risks that may arise as a result of growing interconnections within the financial sector. Because of the high level of dollarization, it is necessary to pay close attention to the potential systemic risks. The establishment by the National Bank of Cambodia (NBC) of a financial stability unit and an early warning system within the banking system is helping to identify potential risks, and a national financial stability committee will be established by the concerned authorities.
- xiii. In light of the government’s long-term objective of promoting use of the riel and eventual de-dollarization, the continuation of sound monetary policy, and the development of supporting market infrastructure are imperative over the coming decade. Due to a limited range of monetary policy tools, NBC must explore new tools to ensure financial stability and economic growth, build internal capacity, and gain greater autonomy in designing and implementing monetary policy.
- xiv. The banking subsector continues to dominate the financial sector and will continue to be the sector’s most critical segment. With regard to banking, the priorities are maintaining monetary and financial stability, promoting

financial inclusion, and improving compliance with the Basel Core Principles on Banking Supervision.

- xv. The vision for microfinance is for the sector to promote financial inclusion; that is, to provide the poor with affordable financial services and thereby to increase incomes and reduce poverty. The goal over the coming decade is to further develop the sector so that services, especially those other than loans and deposits, cover greater numbers of low-income people.
- xvi. For the insurance sector, the strategy is to continue to implement the action plan specified in the first Blueprint 2001–2010, to develop new products and expand the utilization of existing products, and to enhance regulations and supervisory capacity in line with international best practice.
- xvii. A stock exchange was officially launched in July 2011, initiating an important part of the strategy for diversification of the sector. The current strategy includes many actions to stimulate more listings and achieve critical mass in the securities market. The Securities and Exchange Commission of Cambodia (SECC) is working toward the goals of the ASEAN Capital Markets Forum, and conducting the assessment on the core principles of the International Organization of Securities Commissions, as well as steps towards membership.
- xviii. The payment and settlement systems are being developed to improve interconnection, provide more services to users, and support intended future government securities issuance. Accepted standards and use of common systems are recognized as important throughout the sector to help reduce costs and facilitate development. New national automated teller machine, debit card, mobile banking systems, and online banking applications are currently being introduced. In order to harmonize with best practice, NBC will implement real-time, gross settlements (RTGS).
- xix. The FSDS 2016–2025 provides action plans for close cooperation of the banking sector with other relevant sectors to
 - build capacity for consolidated supervision and surveillance,
 - combat money laundering and the financing of terrorism, and
 - improve corporate governance, data quality, accounting, and auditing, as well as property valuation, real estate services, and the housing market.

- xx. Overall, the reform strategies and action plans for each sector are critical and closely interconnected. The government recognizes that delays in attaining the goals for any sector will disrupt reform processes in other sectors. Based on the experience of implementing the previous financial sector development strategies, coordination and cooperation among competent authorities, international organizations, and development partners, are critical for ensuring reform success. Regular monitoring of the performance of reform programs and new challenges arising from rapid financial market development is needed, with timely and appropriate actions.

Chapter 1: Background

Introduction

1. The long-term vision of the Government of Cambodia in economic development is to ensure macroeconomic stability and high growth with sustainability, inclusion, and equity, in order to improve people's living standards, reduce poverty, and change the status of Cambodia to become an upper middle-income country by 2030 and a high-income country by 2050. To achieve these, the country's financial sector plays a crucial role in supporting the mobilization of financial resources to support economic activities.
2. This Financial Sector Development Strategy, 2016–2025 (FSDS) is the strategic document for continuing to develop a sound, efficient, diversified, and inclusive market-based financial system that can broadly fulfill domestic demand for financial services and is able to effectively support sustainable economic growth, raise people's income, reduce poverty, and align with regional economic and financial integration.
3. Over a decade of implementing this strategy, Cambodia has achieved a great deal, but significant challenges remain. These include rapid finance industry diversification, bringing regulations and supervision up to international standards, establishing a formal crisis management mechanism, and assisting the financial sector to provide needed financing and financial services to the low-income segment of the population. In preparing this strategy, the government has built on the experiences and lessons from the Asian financial crisis of 1997–1998 and the global economic crisis of 2008–2009, and from implementing previous strategies with regard to integrating Cambodia into the regional financial sector.

Macroeconomic Management

4. This FSDS update takes into account three key contexts: (i) Cambodia's economic development over almost 2 decades of peace, political stability, and improving social welfare; (ii) changes in the global economy, especially since the 2008–2009 global economic crisis; and (iii) the need for a new approach to ensure economic growth across all sectors of the

economy, where the financial sector can play a crucial supportive and integrating role.

5. Since the late 1990s, when peace finally came after decades of war and isolation, Cambodia has achieved rapid economic progress. Self-confidence and pride have returned for Cambodians nationwide, giving them a vision of a prosperous future that includes access to decent employment and the good living standards that come from economic development. The strategy of the government is to lead, manage, and coordinate in order to achieve this vision, especially with regard to helping Cambodia to compete regionally and globally.
6. In recent years, Cambodia has been one of the fastest growing economies in the world. The national economy recovered quickly from the 2008–2009 global economic turmoil and has become an attractive country for investors. The economic achievement is the result of rapid improvements in physical infrastructure that have taken place since the general election of 1993. The government has been engaged in a broad reform program in all sectors in order to achieve economic liberalization and to provide incentives to stimulate local as well as foreign investment in private enterprises. The national economy, which was previously limited to the agriculture sector, now includes thriving manufacturing and service sectors.
7. Since 1999 the government has focused its efforts on speeding up market-based private sector development and has achieved impressive results. Over these 2 decades, Cambodia's annual growth domestic product (GDP) grew by an average of around 7.7% due to high growth in the garments, construction, transportation, trade, and tourism sectors. The government has also invested heavily in infrastructure, and foreign direct investment has increased substantially. Management of macroeconomic conditions through prudent monetary and fiscal policies, together with financial sector reforms, have contributed to Cambodia's economic achievements.
8. Cambodia's efforts toward regional integration has contributed to high economic growth in the past decade. However, Cambodia is facing stiffer competition in the global market, especially with neighboring countries that are economically stronger. The accession of Cambodia's competitors to the World Trade Organization and the relatively high cost of doing business in Cambodia, especially with regard to electricity and

transportation, are ongoing barriers to economic development. For Cambodia to sustain the high economic growth needed to reduce poverty, it must identify new international markets for its products and scale up cooperation with all development partners to ensure that the country remains competitive in attracting foreign investors. With these goals in mind, bringing the financial system up to international standards is imperative in order to capitalize on the current and potential benefits of globalization.

9. For Cambodia's highly dollarized economy, fiscal policy plays a key role in controlling the macroeconomic. From 1995 to 1998, the country experienced high inflation that reached 14.7% in 1998. This high inflation originated from external sources and a high fiscal deficit. Implementing budgetary discipline has helped Cambodia maintain low inflation and avoid economic crises. Such discipline includes controlling government expenditures, improving revenue collection, ceasing deficit financing from the National Bank of Cambodia (NBC), and seeking finance from concessional loans primarily for needed infrastructure. Through such policies, the management of public debt has brought satisfactory results. Based on debt sustainability analysis, the amount of the country's debt and the cost of servicing that debt today are both still low and manageable. This good result is also recognized by key international institutions like the International Monetary Fund, World Bank, and Asian Development Bank (ADB). Public financial management reform has been an important tool for modernizing and improving fiscal efficiency.
10. The main goal of monetary policy is to maintain price stability through macroeconomic stabilization. To this end, NBC's monetary policy stance has been to intervene in the foreign exchange market to stabilize exchange rates and also impose reserve requirements on banks and deposit-taking microfinance institutions in order to manage the level of liquidity in the banking and financial sector as a whole, while also promoting the use of the riel. The economy is subject to externalities as the country depends on imports of consumer products as well as oil, and Cambodia's foreign exchange market is still underdeveloped. Under the current monetary regime, fluctuation of exchange rates and commodity prices on the international market has an immediate impact on domestic prices and the national economy.

11. The country maintains a stabilized exchange rate regime, which is favorable for the accumulation of foreign reserves. With a high degree of dollarization, NBC is not equipped with appropriate monetary policy tools other than reserve requirements and its intervention in the money exchange market.
12. In order to maintain the macroeconomic stability needed to support and sustain economic growth, coordination of monetary and fiscal policies is required. The government will continue to cautiously implement monetary policy in combination with budgetary discipline.

The Financial Sector

13. With the exception of the Rural Development Bank, the country's banks are all privately owned and most have majority foreign shareholders. The banking and microfinance sectors, which are supervised by NBC, have experienced high growth over the last 15 years. Cambodia's securities market commenced trading in 2012. The growing insurance sector provides general insurance, life insurance, compulsory vehicle insurance, and microinsurance. The upgrading of the national payment system has helped stimulate the mobile banking market and increased funds transfer through electronic systems and the emergence of money exchange services. The leasing and pension sectors are expected to grow substantially over the next 10 years.

Structure and Strategic Document Preparation

14. To prepare the FSDS 2016–2025, broad consultation took place with the line ministries of the government, including the Ministry of Economy and Finance (MEF); NBC; Ministry of Commerce (MOC); Securities and Exchange Commission of Cambodia (SECC); Ministry of Justice (MOJ); Council of Jurists; Ministry of Social Affairs, Veterans, and Youth Rehabilitation; and Ministry of Interior (MOI), as well as with banks and other private sector financial institutions, insurance companies, securities firms, and nongovernment organizations. Key development partners such as ADB, International Finance Corporation, International Monetary Fund (IMF), and World Bank were also consulted.
15. The data for preparing this strategy were obtained from MEF, NBC, MOC, MOI, and SECC, as well as from other relevant institutions in the financial sector. Inputs for analysis and for documenting this strategy include the

discussion paper on Article IV between the government and the IMF. In addition, a number of consultative workshops were held with financial market participants so they could provide their input to the preparation of the draft FSDS.

16. The overall strategy and a large part of the action plans for reform are closely interconnected. The process and the strengthening of reform policy require an appropriate timeline. To effectively implement the reform program, coordination and cooperation among competent authorities, international organizations, and development partners are crucial to reform success.
17. The FSDS 2016–2015 is organized as follows:
 - Chapter 1 provides an overview of macroeconomic management;
 - Chapter 2 covers the banking sector, including the banking and microfinance sectors;
 - Chapter 3 covers the nonbank financial sector, including the capital market, and insurance and pensions;
 - Chapter 4 covers governance and the legal and regulatory framework for financial sector infrastructure, as well as accounting and auditing, and the payment system;
 - Chapter 5 discusses capacity building needs; and
 - Chapter 6 presents the Action Plan for Financial Sector Development 2016–2025.

Chapter 2: Banking Sector

Banking Operations

Background

18. NBC is the monetary and supervisory authority for banking and financial institutions in Cambodia. Its principal mission is to formulate and implement monetary policy aimed at maintaining price stability and developing a convenient environment for supporting economic growth. NBC's main functions are to (i) act as the monetary authority and implement monetary policy (NBC intervenes in the foreign exchange market when deemed necessary to keep a stable exchange rate and ensure price stability), (ii) act as the sole issuer of the national currency, (iii) oversee the payment system, and (iv) act as the supervisory authority for the banking system..
19. When the FSDS 2011–2020 was adopted in 2011, there were 31 commercial banks (including six branches of foreign banks). At the end of 2015, there were 36 commercial banks (including 11 branches of foreign banks). Over the same period, the number of specialized banks increased from 7 to 12. The number of automated teller machines (ATMs) increased from 588 to 1,118, while the number of debit cards rose from 761,876 to 1,439,887. Nonperforming loan ratio remained low during the period (averaging 2.0% in 2015). Bank profitability was generally good—for 2015, the return on assets was 2.0% and the return on equity was 10.9%.
20. Total banking system assets increased from \$7.9 billion at the end of 2011 (60% of GDP) to \$19.9 billion at the end of 2015 (around 110% of GDP). Total deposits to GDP followed a similar trend, rising from approximately 41% in 2011 to about 62% at the end of 2015.

Progress and Achievements

21. As the monetary and supervisory authority for banking and financial institutions, NBC has actively participated in maintaining financial stability through further improvement of the soundness and effectiveness of the banking sector. NBC has regularly strengthened banking regulations and

supervision, elevated good governance and transparency of the banking and financial system, and developed human resource capacity.

22. Since the last update of the compilation of laws and regulations applicable to banks and financial institutions in 2011, a number of *prakas* (rules and implementing regulations) have been issued and revised in line with the development of the banking sector and international standards, particularly the Basel framework. These include prudential regulations to support NBC's supervisory framework and enhance financial stability, such as the *Prakas* on Emergency Liquidity Assistance for Banks and Financial Institutions, the *Prakas* on Standing Credit Facilities for the National Clearing House's members, the *Prakas* on Liquidity Coverage Ratio, and the *Prakas* on Minimum Capital Requirement for banks and financial institutions.
23. In terms of crisis preparedness and crisis management, NBC has made a number of important achievements in the last 5 years. These include the establishment of an early warning system and a financial stability monitoring unit. NBC has also organized periodic studies on risk factors and conducted stress-testing exercises based on the IMF Financial Sector Assessment Program. In addition to adopting the *Prakas* on Liquidity Coverage Ratio, NBC is drafting another supporting *prakas* on liquidity risk management framework for banks and other financial institutions. Moreover, NBC also strengthened its lender of last resort function by adopting a *Prakas* on Emergency Liquidity Assistance for banks and financial institutions. The purpose of this *prakas* is to prevent systemic risk that might create a liquidity crisis due to unforeseen or unprecedented adverse trends or market conditions.
24. NBC, MEF, and SECC have established a working group to formulate a crisis management mechanism for Cambodia's financial sector, and triggers for activating the crisis management framework have been determined. In 2014, these three government agencies entered into a memorandum of understanding that provides for the sharing of information related to crisis preparedness.
25. In 2011, NBC established a financial stability committee and financial stability working group to follow up and assess the financial sector's risks and to provide policy recommendations to prevent systemic risks to preserve financial stability. The scope of the analysis has been gradually

expanded to not only cover the banking sector, but also the nonbank financial sector.

26. Licensed banks and other financial institutions now regularly upload data and reports into the Banking Supervision Reporting System database. The NBC has been preparing a guiding book to supervise banks and financial institutions, and regulation on supervisory procedures.
27. With the support of the ADB, the National Clearing System was launched in 2012. Moreover, NBC has benefited from other technical assistance supports provided by ADB, IMF, Southeast Asian Central Banks Centre, the US Treasury Department, and the World Bank. For example, NBC has continued to cooperate with the World Bank in improving banking supervision, including conducting a crisis management simulation exercise. IMF currently provides NBC with a full-time adviser on banking supervision. In addition, NBC has received training support from numerous bilateral government agencies and regional and international organizations.
28. The banking supervisory directorate general together with the Cambodian Financial Intelligence Unit (CAFIU) has raised awareness among banks on anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance matters. Management of AML and CFT risks is included as a key item in bank supervision and monitoring. All banks have completed questionnaires and submitted reports on the risk assessment exercise for money laundering and financing of terrorism threats and vulnerabilities.
29. NBC has entered into cooperation agreements with the regulatory authorities of all countries whose banks operate branches or subsidiaries in Cambodia. NBC is also increasing cooperation with Association of Southeast Asian Nations (ASEAN) banking supervisors for supporting other technical assistance.
30. Cambodia has been active in pursuing financial cooperation in the region and has participated in the various forums of the ASEAN and ASEAN +3. NBC has been a full member of the Association of South East Asia Central Banks since 2006 and actively participated in the Task Force on the ASEAN Banking Integration Framework which is one of the crucial parts to support the ASEAN Financial Integration Framework. Meanwhile, NBC has

been a full member of Consultative Group to Assist the Poor in 2000 and Alliance for Financial Inclusion in 2015.

31. Initiatives have been taken by the government and NBC to build confidence in the riel and encourage the use of the riel in economic and financial transactions through the implementation of various actions as (i) requiring all government transactions to be in riel, (ii) maintaining the stability of the exchange rate, (iii) improving the quality of banknotes, and (iv) distributing riels to meet the demand in all regions and sectors. These measures support the aim of increasing market demand for riels.
32. **Capacity building.** Capacity building is a strong focus for NBC, with in-house training, local training, and oversea training being offered to NBC's officials. The trainings cover not only banking supervisory methods and macroeconomic analysis, but also reserve management, information technology systems, and human resources management. Most of the training has been supported by Southeast Asian Central Banks Centre, IMF, ADB, and World Bank, as well as other central banks and supervisory authorities within the region and across the region.

Constraints, Challenges, and Gaps

33. **Monetary policy and financial stability.** There are benefits from dollarization, such as stable exchange rate movements that promote growth in foreign investment and provide a stable environment for the implementation of a prudent fiscal policy. However, it also means the loss of seignior age and constraints on the wider use of market-based instruments in implementing monetary policy such as open market operations as well as reducing the flexibility that the government has to act in a crisis, should one occur. This emphasizes the importance of close coordination among ministries and a clear framework to use in resolving a crisis.
34. **Promotion of the riel.** The proportion of riels in terms of deposits and circulation is low compared to that of US dollars. Some government transactions remain in US dollars and many sellers, especially in the urban areas, advertise goods for sale in US dollars only.
35. **Immovable and movable property title document.** In Cambodia, most loans are collateralized by real estate properties. Typically, the lender takes possession of the title document. There are two types of title

documents: (i) so-called “hard” titles, which are issued by the Ministry of Land Management, Urban Planning and Construction; and (ii) “soft” titles, which are issued by local authorities. Soft titles are riskier than hard titles because multiple soft titles are sometimes issued for the same property, so that the same property can be pledged to more than one lender without the other lender’s knowledge. Generally, loans collateralized by soft titles have higher interest rates than loans collateralized by hard titles. The process of obtaining hard titles is lengthy and time-consuming. Moreover, the property registration that is used for obtaining the loans from banks and financial institutions has not yet fully worked, which incurs the risk for loan providing and limits the ability to use the collateral.

36. There has also been rapid growth in condominium developments. There are problems in strata titles and such titles need to be made easily available. Besides, there is also a problem in the registration of security interests in immovable property in the collateral registry.
37. **National identity cards.** The credit bureau, which began operating in 2012, maintains credit records on more than 2.3 million individual borrowers. The easiest way to distinguish between borrowers with the same name is using their national identity card number. New national identity cards began to be issued in 2012, and to date more 6.6 million have been issued. However, speeding up the process will ensure that all borrowers have national identity cards.
38. **Bank supervision.** NBC remains committed to risk-based and forward-looking supervision as demonstrated by the recent issuance by NBC of the *Prakas* on the implementation of Risk-Based and Forward-Looking Supervision. In achieving this goal, NBC faces the challenges of inadequate specialization in terms of risk-based and forward-looking supervision, and information technology. Likewise, laws and regulations are required to be regularly monitored in order to catch up with the market progress.
39. Uncertainty of the tax basis on the provision and the transfer from retained earning into registered capital could not encourage the banks to make enough provisions to prevent the potential risks.
40. **Lack of technical expertise.** The information technology system and human resources are inadequate for the implementation of Cambodian International Financial Reporting Standard (CIFRS).

Future Strategy and Plans

41. **Financial stability.** The NBC plans to strengthen the capacity and capabilities of its financial stability monitoring unit. One of the tools used to signal the potential for deterioration in the soundness of the financial institutions is the early warning system, which includes risk-based and forward-looking analysis, and monitoring new developments in the financial sector. All financial sector agencies will provide the necessary data and information to enable a comprehensive and high-quality financial stability report to be produced. The government plans to establish a national financial stability committee.
42. **Crisis preparedness.** Supervisory agencies will adopt a cooperation framework and procedures in crisis preparedness. Each agency will also create its own contingency plan and contribute to a national contingency plan. Sharing of data and information among agencies will be improved, and crisis simulation exercises will be regularly conducted. Cross-border interagency cooperation on crisis preparedness and crisis management will also be enhanced.
43. Moving forward, NBC is studying the possibility of implementing a depositor protection scheme to increase public confidence in the banking system, especially for small depositors. Under Cambodia's Banking Law, NBC will lead the work on the depositor protection scheme, in cooperation with MEF. With current developments in the banking system, there is also a need to establish a special resolution regime (i.e., a law providing NBC with more alternatives to resolve problem banks promptly with low cost).
44. **Banking supervision.** Compliance with the Basel Core Principles on Effective Banking Supervision and prevailing global standards are key elements for enhancing the effectiveness of banking supervision. Currently, NBC is making good progress toward fully complying with the 29 Basel Core Principles. NBC will improve the status of compliance especially on risk management process such as sovereign and transfer risks, operational risk, interest rate risk, and consolidated supervision.
45. Over the short term, NBC will review regulations on solvency ratio and prompt corrective actions. NBC will also recruit and train additional staff in banking supervision and undertake other targeted capacity-building

programs. NBC will enhance its supervisory approach toward being risk-based and forward-looking. This process requires capacity building and updated information technology.

46. **The riel usage.** The government will further promote the use of riel currency by setting up a national policy on promoting the use of riel. The government plans to establish various working groups to evaluate market, new services, and other instruments meant to promote the use of riel.
47. **Anti-money laundering and combating the financing of terrorism.** NBC, along with CAFIU, has raised awareness among banks, microfinance institutions (MFIs), and microfinance deposit-taking institutions (MDIs) on AML and CFT compliance matters. Management of AML/CFT risks is included as an item in the supervision and monitoring of banks, all of which have completed and submitted reports on the risk assessment exercise for ML/FT threats and vulnerabilities.
48. **Ownership titles for fixed and movable properties.** The government plans to improve the effectiveness in issuing ownership titles as well as reducing its cost. Also, the government plans to solve problems related to the issuance of fragmented ownership on co-owned buildings and real estate registration at Department of Collateral Registration. In addition, the government will enforce the process of real estate registration to be used when borrowing from banks and financial institutions.
49. **Consumer protection.** NBC will review the desirability of expanding consumer protection principles in existing regulations by setting out more specific requirements on lending products, advertising and promotional materials, complaint procedures, fees, interest rate calculations, and collection practices.
50. **Financial inclusion.** Financial inclusion exists when everyone has effective access to a wide range of financial products. The government's vision is to promote financial inclusion initiatives that (i) reduce the level of financial exclusion, (ii) promote sustainable and inclusive growth, (iii) enable the development of a comprehensive ecosystem to support financial inclusion, and (iv) allow the benefits of financial inclusion to be shared by all people.
51. The government's financial inclusion strategies include enhancing and formulating financial policies and regulations that will (i) allow space for opportunities and creativeness toward the attainment of financial

inclusion; (ii) ensure that client protections are adhered to; (iii) initiate programs that promote and advocate financial inclusion; (iv) improve diversification of financial services in the banking sector so as to meet market demands; (v) develop partnerships among policymakers, government entities, and private sector stakeholders; and (vi) develop and use social marketing to popularize financial inclusion. To help achieve its vision, the government will adopt and implement a national strategy for financial inclusion.

52. **Accounting.** NBC together with the National Accounting Council (NAC) will continue to educate and guide microfinance institutions and their staff on the implementation of CIFRS.
53. **Taxation.** NBC will continue to discuss with other relevant institutions, in particular the General Department of Taxation, to seek solutions and clarification on tax base calculation for provisioning and transferring retained earnings to registered capital.

Microfinance Operations

Background

54. **Importance of the microfinance sector.** The government has recognized the important role of the microfinance sector in socioeconomic development, which contributes particularly in poverty reduction. The expansion of rural credit to stimulate collocation growth in rural areas is still a priority. In the last few years, microcredit has also been expanded in urban areas. Microfinance provides credit at a rate lower than that provided by money lenders. Microfinance loans, most of which are provided to women, give people the opportunity to make large purchases such as inventory, equipment for construction, and materials for home improvement. Emergency loans allow borrowers to be able to cover other expenses in times of emergent financial stress. Microfinance in Cambodia now incorporates important financial products other than loans: deposits, money transfers, and microinsurance.

55. **Development of the microfinance sector.** The formal microfinance sector in Cambodia emerged in 1990s from a number of microcredit projects initiated by international donors, nongovernment organizations (NGOs), and other institutions. For more than a decade, microfinance institutions have been an integral part of the formal financial sector. However, there is still a number of organizations, associations, companies, and money lenders that have been mobilizing savings and providing loans without proper authorization. Furthermore, the majority of people still have limited knowledge of using financial services and its importance.

Progress and Achievements

56. **Growth of the microfinance sector.** The sector has grown significantly since the adoption of the FSDS 2011–2020. The number of non-deposit taking microfinance institutions increased from 23 at the end of 2011 to 32 at the end of 2014. The number of deposit-taking microfinance institutions increased from 7 at the end of 2011 to 8 at the end of 2015.
57. Over the period 2011–2015, the sector’s total assets had increased from KR3,025 billion (\$753 million) to KR14,626 billion (\$3.6 billion), while the nonperforming loans had remained low (averaging 0.77% for 2015). The profitability had remained robust, with return on asset averaging 3.68% and return on equity averaging 18.62% for 2015. The nonperforming loan rate is, on average, lower than 1%.
58. The number of MDIs’ depositors had increased from 242,116 in 2011 to 1.33 million in 2015. The total deposits had increased over the same period of time from KR460 billion (\$115 million) to KR5,410 billion (\$1.35 billion). Currently, more than 70% of the deposits are term deposits. The number of staff has doubled from 9,744 in 2011 to 26,268 in 2015.
59. **Product diversification.** Microfinance institutions have introduced many new products in the last 5 years. Many of the institutions are now actively engaged in money transfers and mobile banking. Three MDIs were allowed to act as referral of microinsurance services to their customers. Housing finance, educational loans, and small and medium-sized enterprise (SME) loans are also offered. Loans, savings, and money transfers are also now available to poor people and to individuals who have yet to access to formal financial services.

60. **Commercial banks' financing to microfinance institutions.** More than 10 locally incorporated banks now provide loans in both riel and US dollars to non-deposit and deposit-taking microfinance institutions.
61. **Microfinance association.** Cambodia Microfinance Association has played an active role in microfinance sector development and has expanded its membership so that it includes all registered and licensed microfinance institutions and all financial leasing companies. The association also provides regular trainings to its members with the aim of strengthening the implementation of a code of professional ethics as well as principles of consumer protection.
62. **Regulations and supervision for microfinance institutions.** NBC together with CAFIU have raised awareness on AML and CFT compliance matters among microfinance institutions. Management of AML and CFT risks is included as an item in supervising and monitoring the institutions. As of mid-2015, all the institutions have completed and submitted reports on the risk assessment exercise for AML and CFT threats and vulnerabilities.
63. **Enhancement of consumer protection and financial literacy.** NBC has begun implementing the Campaign on Enhancement of Consumer Protection and Financial Literacy in order to promote financial inclusion and help low-income financial consumers and vulnerable households out of poverty. The campaign's implementation program includes (i) conducting workshops in 14 cities and provinces with participants from all levels of local authorities and private sector players to disseminate the contents of the joint statement between MEF and NBC and the roles of NBC; (ii) organizing forums as avenues to explain to financial consumers and all levels of local authorities about the importance of formal borrowing from licensed and registered financial institutions, NGOs, and associations, and about the risks of informal borrowing from unlicensed and unregistered NGOs and associations; and (iii) cooperating with development partners to implement other campaigns via the public broadcasting system in order to further get intention of financial consumers in relation to benefits from and risks of using such financial services.
64. **National summit on microfinance.** NBC hosted the National Summit on the Development of Microfinance Sector in Cambodia on 14–15 March 2016 with Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister

of the Kingdom of Cambodia, as presider. This summit was held with the objective of raising public awareness on the development of microfinance sector in Cambodia and its important role in economic development and poverty alleviation. The main inputs of the summit have been incorporated into the government's national strategy and roadmap for the sector's development.

65. **National strategy for microfinance sector.** The government upgraded the Committee for Rural Credit Development to the Steering Committee for Microfinance Development to be consistent with the current development in Cambodia. In 2015, the Steering Committee identified the sector's challenges and applied some policies and problem-solving measures monitored and implemented by NBC and microfinance operators. At the same time, the Steering Committee established two subcommittees, of which the first committee led by Ministry of Interior (MOI) and the second committee led by NBC. Moreover, SECC together with MOI organized workshops across all cities and provinces in Cambodia, an information dissemination campaign on how to prevent and avoid financial services offered by unlicensed and predatory companies, which included a national workshop on Penetration of Public Understanding on Investment in Financial Sector held on 12 May 2016. Meanwhile, MEF drafted the updated national strategy for microfinance in 2015 and this draft was submitted to the Steering Committee in March 2016.

Constraints, Challenges, and Gaps

66. Despite the progress over the past 10 years, the microfinance sector still faces a number of challenges such as (i) limited public knowledge about the microfinance sector, misunderstanding that microfinance institutions are state-owned or nonprofit organizations, leading to a lack of prudent consideration of interest rate, payment capacity, and the improper use of microfinance services; (ii) informal rural credit operators taking advantage of being called a non-profit organization by offering high interest rate credit that makes borrowers over-indebted; (iii) the high interest rate offered by microfinance institutions, a result of the high cost of funding and operations; (iv) lack of information technology system and human resources to implement CIFRS; and (v) uncertainty of tax base calculation for provisioning and transferring retained earnings to registered capital,

which may discourage institutions to maintain enough accrual funding for risks.

Future Strategy and Plans

67. **Policies and strategies for microfinance sector.** Cambodia is one of more than 30 countries that has adopted a national strategy for microfinance sector. The government will adopt an updated strategy and a new strategy for financial inclusion.
68. **Supervision of microfinance institutions.** NBC plans to enhance compliance with the Basel Committee's Core Principles for Effective Banking Supervision for microfinance activities. NBC will continue to focus on supervision and issuance of regulations following international standards for supervising microfinance institutions. Also, NBC will speed up the registration and licensing process for informal rural credit operators.
69. **Strengthening enforcement of laws.** NBC together with MOI and other authorities will take strict action against unregistered microfinance operators and those who continue to operate illegally.
70. **Enhancing financial literacy.** NBC will continue to conduct its public awareness campaigns, particularly for people in rural areas, in order to enhance further understanding about financial literacy and promoting financial inclusion. This campaign will be conducted through other means such as inclusion of financial literacy programs in the curriculum of the national education system and wider dissemination via news (i.e., newspapers, television) and workshops etc. to clearly indicate that microfinance institutions are not state-owned and microfinance operators are also not charitable organizations.
71. **Funding mobilization.** This includes seeking low funding sources, studying the factors that contribute to high cost of funds, and finding ways to reduce interest rates with market mechanism.
72. **Reducing shadow banking activities.** NBC will strengthen data and information gathering and take action to reduce shadow banking activities that can create risks to financial stability.
73. **Consumer protection.** NBC will review the desirability of expanding consumer protection principles in existing regulations by defining more specific requirements on lending products, advertising and promotional

materials, complaint procedures, fees, interest rate calculation, and collection practices. In addition, public awareness concerning microfinance operations and potential risks will also be enhanced. With this, NBC will introduce measures in relation to consumer protection while a number of microfinance institutions implement a project on consumer protection of the SMART Campaign's principles. Further, NBC will continue to cooperate with relevant authorities and stakeholders in implementing and preventing illegal activities in relation to savings mobilization and predatory lending practices.

74. **Accounting.** NBC together with NAC will continue to educate and guide microfinance institutions and their staff on the implementation of CIFRS.
75. **Taxation.** NBC will continue to discuss with other relevant institutions, in particular the General Department of Taxation, to seek solutions and clarification on tax base calculation for provisioning and transferring retained earnings to registered capital.

Installment Operations

Background

76. Installment operations refer to buying and selling activities of immovable and movable assets, commodities, and services, where the payment is made periodically as pre-agreed in the contract. Installment activities have been increasing uncontrollably. Currently, installment operators have involved the offering of payment options to facilitate acquiring equipment for agricultural and industrial activities, for example.

Progress and Achievement

77. Installment operations have contributed to enhancing financial inclusion for both formal and informal services, which has increased to 71% in 2016. At the same time, The government has also been monitoring and evaluating the development of such operations to assess the need for setting up regulations and supervision.

Constraints, Challenges, and Gaps

78. The gaps in controlling installment operations can inhibit the achievement of the vision of financial markets with equal and transparent competition, and the maintaining of financial stability. Such uncontrollable operations will create the following challenges:

- unequal and unfair competition among installment operators, banking operators, and other financial operators who are under the regulation and supervision of NBC;
- lack of consumer protection following the consumer protection principles;
- lack of proper analysis on installment payment capacity that can make consumers over-indebted; and
- spreading of shadow banking activities.

Future Strategy and Plans

79. NBC will (i) establish policies and introduce appropriate regulations for installment operations; (ii) introduce a consumer protection mechanism; (iii) educate the public on the proper conditions for installment operations, such as interest rates, rights of lenders and borrowers, and other required legal documents; and (iv) cooperate with relevant institutions to set up regulations and mechanisms for installment operations.

Interbank and Money Market

Background

80. Development of the interbank and money market is important to provide banks and other financial institutions with opportunities for liquidity management. NBC is promoting negotiable certificates of deposit (NCDs) as a tool to support monetary policy. The MEF has been developing the

regulatory framework and institutional mechanism for government securities.

Progress and Achievements

81. NBC has issued both US dollar-denominated and riel-denominated NCDs at the subscriber's request. In addition, banks may use NCDs as collateral for liquidity in clearing house. These NCDs are freely traded among registered members and could be repurchased by NBC through a platform provided by NBC.
82. NBC has issued *prakas* for interbank repurchase agreement with NBC as well as the interbank repurchase master agreement.
83. To implement the Law on Government Securities adopted in 2007, MEF has been developing a regulatory framework and government securities operational flow, and is also studying the possibility of issuing government securities.

Constraints, Challenges, and Gaps

84. The development of interbank and money market is still in the preliminary stage, since it still lacks an interest rate-setting mechanism, knowledgeable and professional staff, and other financial instruments which could be other options for the market.
85. The knowledge of market participants is still limited, which requires further education.

Future Strategy and Plans

86. **Government securities.** MEF, with its General Department of Financial Industry, will prepare the regulatory framework and institutional mechanism for the issuance and subscription of government securities.
87. MEF will continue to study the possibility of issuing government securities and to prepare strategic documents on government securities issuance.
88. **Expanding access to market.** In the future, developing an interbank payment settlement system and its associated markets will include granting access to more MDIs and major securities firms that trade for institutional investors.

89. **Bank borrowing facility at designated cash rate.** NBC is working to give banks more flexibility in liquidity management. In addition to establishing a mechanism for ensuring liquidity in its current clearing house, NBC will review the possibility of supplementing its current overdraft arrangements with a facility for borrowing in riels at a designed cash “base rate” to encourage the use of riels, and to become a tool for monetary policy.

Financial Leases

Background

90. The rapid development of the Cambodian economy continues to drive the increase in the volume of “financial leases.” Obviously, there was only one leasing company that received a license from the National Bank of Cambodia with the financial lease amount \$148,000 in 2012. Until 2015, the number of leasing companies increased to nine companies with the financial lease of \$85.5 million.
91. Currently, the terms “financial lease” and “lease” are misunderstood by the public. This interpretation has resulted in some inconsistencies in the law’s terminology that govern leasing transactions. In order to solve these inconsistencies, the term “financial lease” should be used in business transactions.

Progress and Achievements

92. Since the promulgation of the Law on Financial Leasing in 2009 and the issuance of *Prakas* on Licensing of Financial Lease Companies in 2011, the number of leasing companies has increased to nine companies and one commercial bank has been approved to provide financial lease as well.
93. An inter-ministerial working group chaired by the MEF has been working to resolve any practical difficulties in applying the various laws and regulations related to financial leases including the Civil Code, the Law on the Implementation of the Civil Code, the Law on Secured Transactions,

and the Law on Financial Lease. The inter-ministerial working group has determined that the Law on Secured Transactions needs to be amended to facilitate the repossession of leased assets without court approval.

Constraints, Challenges, and Gaps

94. **Repossession of secured lease assets.** Generally, a critical advantage of leasing is the lessor's ability to quickly take back (repossess) the asset if the lessee is in default or fails to comply with its obligations to the lessor. Practically, the lessor cannot repossess the assets because, in the Civil Code, all repossession on assets must go through the court's process.
95. **Regulatory framework.** The regulatory framework in supervising financial leases needs to be reviewed. Currently, NBC temporarily uses MFI's prudential regulations and reporting templates to supervise financial leasing companies as an interim measure.

Future Strategy and Plans

96. **Focus regulation on lessor rather than financial lease products.** Law will be amended to ensure the regulation of companies that provide financial leases to the public rather than individual products they may use, (such as a "financial lease," which is difficult to implement if it is not legally and clearly defined in law). Such implementation will provide a more robust regulatory framework to deal with (i) the challenge that occurs in leasing arrangements, and (ii) new and complicated financial instruments that may be introduced into the marketplace in the future.
97. **Repossession and maintenance of leased assets.** The application of Law on Secured Transactions will be reviewed to ensure that the requirements for repossessing leased assets are clear and that the maintenance of leased assets match the reality of leasing arrangements.
98. **Regulatory framework.** NBC will enforce the prudential regulations to mitigate risk and reporting templates to get sufficient information from financial leasing operations.

Chapter 3: Nonbanking Sector

Capital Markets

Background

99. The securities regulator, SECC, was established on 28 July 2008 through the Law on the Issuance and Trading of Nongovernment Securities. The Cambodia Securities Exchange (CSX) was established jointly with the Korea Exchange and inaugurated on 11 July 2011. The SECC and CSX have operated reliably and smoothly without any significant issues since inception.
100. Although steady progress has been made in the public securities market, it is still in the development and capacity building phase.

Progress and Achievements

101. Laws, regulations, and listing rules have been enacted to cover most basic types of equity and debt securities and standard convertible or derivative securities offered to the public and listed on the exchange. Trading on CSX commenced on 18 April 2012 with the listing of Phnom Penh Water Supply, a state-owned enterprise. Privately owned garment company, Grand Twins International, was listed on 16 June 2014. The third listing, of state-owned enterprise Phnom Penh Autonomous Port, took place on 9 December 2015, and the fourth listed company, Phnom Penh Special Economic Zone, was listed on 30 May 2016. Meanwhile, other listings are in the pipeline.
102. **Programs to increase listings.** Attention has been given to develop and implement programs to increase the number of listings on the exchange. Incentives to encourage companies to list such as taxation advantages have been adopted, along with the implementation of marketing and awareness-raising programs. Efforts are being made to accommodate a more diversified range of companies listing on the market. Trading rules and the system were improved in November 2014 to accommodate continuous trading in addition to single price auctions and trading before settlement. SECC regulations were amended in September 2015 to encourage listing in two boards (the main board for large enterprises and

the growth board for SMEs), improving access to the market for SMEs and reducing the minimum requirement and periods of required prior audited financial statements by independent auditors.

103. **Regulatory environment.** One *anukret* (sub-decree) and 18 *prakas* (regulations) have been adopted in the last 2 years. At the same time, another draft *anukret* and 20 drafts of *prakas* are in various stages of adoption. These drafts include an *anukret* on Rehabilitation and Liquidation in Securities Sector, the regulatory framework for a credit rating agency, and the legal framework for a corporate bond market, collective investment schemes (CISs), and securities borrowing and lending associated with trading and settlement. SECC has conducted an International Organization of Securities Commissions-mandated self-assessment as set forth in the FSDS 2011–2020. MEF, NBC, and SECC have signed a memorandum of understanding on Preparedness, Prevention, and Management of Financial Crisis in July 2014.
104. **Market participants.** On 20 October 2010, SECC granted licenses to 15 securities firms. SECC also granted accreditation to securities-related cash settlement agents, securities registrars, securities transfer agents, paying agents, professional accounting firms, and independent auditors and valuation companies providing services in the securities sector. There are currently 12 securities firms—six underwriters, one dealer, three brokers, and two investment advisers. In 2014 and 2015, 118 people passed SECC’s qualifying examination.
105. **Public education and awareness.** In January 2011, SECC signed a memorandum of understanding with the Financial Institute of Cambodia to offer education and training on the securities market to the public. During the last 2 years, SECC has conducted workshops on The Understanding of Securities Market in Cambodia in 25 provinces for provincial governors and administrators. Simultaneously, SECC has also worked closely with CSX and securities firms to broadcast through media and to deliver related workshops for universities, business associations, potential listed companies, and other market participants. SECC established a customer complaint center within SECC to address public complaints.

106. **Regulatory enforcement.** In 2015 SECC carried out legal actions against 15 unlicensed firms for derivatives trading and stopped two entities from operating unlicensed CIS businesses.
107. **Regional financial integration.** SECC is an active participant in the ASEAN Capital Markets Forum and its working groups. These groups focus mainly on the harmonization of domestic laws and regulations and the development of market infrastructure with a view toward integrating the region's capital markets. SECC is studying the legal framework to identify areas for harmonization and changes to facilitate cross-border offerings and mutual recognition in the region. Market linkages can be established when activity levels can support the cost of that infrastructure. Improved settlement arrangements will help facilitate settlement for cross-border listings. SECC will benefit from capacity-building support to assist in meeting ASEAN Capital Markets Forum integration standards.
108. **Capacity building.** SECC initiatives for capacity building, governance, and education have included providing training programs for journalists and capacity building for its officials through participation in various programs such as on-the-job training, seminars, and training programs in other countries. SECC has also conducted in-house training in cooperation with international training centers such as Toronto Center, Asia-Pacific Economic Cooperation Financial Regulators Training Initiative, Thailand Securities Institute, and foreign experts. In addition, SECC secured funding for three chartered financial analyst scholarships for staff.

Constraints, Challenges, and Gaps

109. The current challenge for securities market development is to achieve the critical mass required to support the government's initiatives throughout the sector. The modernization and development of the local securities market must focus on providing (i) liquidity and depth in the market, (ii) flexibility and simplicity, (iii) the lowering of market access costs, (iv) the preparation of appropriate regulations and enforcement, (v) investor education, and (vi) system efficiencies and standards to support new developments. SECC will benefit from the plans and standards developed by working groups of the agencies concerned within the ASEAN framework.

Future Strategy and Plans

110. Cambodia has few local savings and investment opportunities for citizens. Therefore, Cambodians store cash, deposit money in banks or MDIs, or invest offshore. A policy aim of the government is to channel local savings into local investment, reduce dependence on the current system of offshore funding, and reduce the amount of local savings invested overseas. Therefore, an active and efficient local securities market is needed to implement this policy.
111. As part of the government's drive to expand access to financial services, SECC will stimulate the listing of companies for public investment. In accordance with the Law on the Issuance and Trading of Non-government Securities and related securities regulations, SECC will promote the operation of nonbank financial institutions and CISs that create collective investment funds and seek to invest the funds longer term, such as insurance, pensions, and other social funds. The Trust Law to be enacted shortly will support this development. Professional investment activities will be encouraged with the possibility of government funds being placed in trust and invested subject to an agreed statement of investment policy and objectives.
112. The government aims to further stimulate development and expand the scope of the securities sector by removing impediments to the listing of major financial institutions. SECC also proposes to the government to speed up development and diversity in the sector by encouraging or requiring them to list. Other related institutions seeking to list could do so either by increasing their capital and reserves through public offering (for perhaps not less than 20% of their equity capital) or by arranging for current investors to sell an equivalent percentage of their holding.
113. SECC will also (i) work with MEF to investigate options for additional state-owned enterprise listings or the listing of more equity of state-owned enterprises, including a review of an agency to oversee state-owned enterprise performance and focus mainly on managing the preparation for further equity listings; (ii) review and design suitable arrangements for securities lending and borrowing by considering the feasibility of establishing a securities finance corporation; and (iii) work with related agencies and parties to help establish a physical commodities market in Cambodia to support the future development of a commodity derivative

market. The next development step could involve extending the framework for financial derivatives to cover derivative markets and an options market and futures contracts, which will assist with pricing and risk management.

114. To make access to markets easier, SECC will (i) review and streamline the procedures and regulations for listing of SMEs; (ii) seek advice on the content of suitable profile documents, streamlining regulations and procedures for smaller offers, and making the listing of significant regulated financial institutions simpler and easier; and (iii) research and introduce a legal and regulatory framework for crowdfunding and grant licenses to crowdfunding platforms and service providers, with a parallel review of investor protection arrangements and market linkages.
115. To improve incentives for use of the securities market, SECC will work with the General Department of Taxation to review the existing *anukret* on taxation, including reviewing tax issues facing companies interested in listing, and considering granting benefits to listed companies that would be equal to the preferential treatment given to qualified investment projects. SECC will conduct research into non-tax incentives and implement non-tax incentive policies. SECC will also review the laws and regulations covering the securities industry to ensure that they include provisions covering anti-corruption.
116. To further enhance stability and confidence in the markets, SECC will (i) update and implement its investor education and public awareness programs based on feedback and market development or market needs and cooperate with Ministry of Education, Youth, and Sport on incorporating financial literacy in the national education program; (ii) support ASEAN financial integration by reviewing and aligning market and listing laws and regulations, including dispute provisions, with ASEAN standards and guidelines, and work toward ASEAN mutual recognition of licensed market participants; (iii) work with NAC to improve the oversight of accredited professional accounting firms providing services for the securities sector; (iv) work on dispute provisions using ASEAN standards and guidelines to support cross-border offerings and listings and revised conduct regulations and formal dispute procedures; (v) improve inter-agency cooperation by signing a memorandum of understanding for information sharing and cooperation of clearing and settlement systems with NBC and strengthening its partnerships and mutual cooperation with

foreign regulatory organizations and securities exchanges; (vi) continue to promote and provide training on corporate governance and governance standards; and (vii) conduct assessment of membership in the International Organization of Securities Commissions with the aim of joining.

117. To continue its development of the supporting infrastructure, SECC will (i) complete its current work on the framework and regulations for corporate bonds and derivatives; (ii) continue to provide the framework and regulation for CISs, including supervision of funds and fund managers and trust operations; and (iii) review and ensure that laws or regulations covering the securities industry include provisions covering AML and CFT obligations consistent with prevailing AML and CFT laws and *prakas*.

Intermediaries and Professional Service Providers

Background

118. Intermediaries and professional service providers in the financial sector provide advice and intermediary services. They may be entities that employ individuals that provide these services, or the individuals themselves. Intermediaries include investment firms, advisers, and fund managers.
119. Professional service providers include valuers, lawyers, accountants, auditors, and trustees. They are typically regulated by industry association standards, codes, and laws governing their operation and conduct. Trustees are a new category of professional service provider in the financial sector and will be subject to the provisions of the new Trust Law.
120. As activities in the financial sector have developed, MEF and other agencies need to keep the registration of individuals and entities, and their skill levels and standards, under review.

Progress and Achievements

121. Regulations and licensing standards for professional service providers have been enacted and implemented by the relevant agencies (SECC, MEF including NAC, and the Cambodian Bar Association).

Constraints, Challenges, and Gaps

122. **Quality and standards.** The quality of standards and their application and enforcement is a general issue across the sector and capacity building and supervision in skill development and enforcement is recognized separately in the relevant sections of the strategy.
123. **Harmonization.** The mutual recognition approach aimed for through ASEAN financial integration requires the harmonization of standards for registration of disclosure documents or licensing and approval of entities and individuals providing intermediary and professional services in securities sector. This remains a goal of the ASEAN financial integration.

Future Strategy and Plans

124. **Registration.** MEF will develop specific policies for the registration or licensing of trustees under the new Trust Law and MEF will maintain oversight of the policies and the need for registration of persons and entities in the sector.
125. **Quality and standards.** MEF will cooperate with other agencies on capacity building in skills and standards throughout the sector. Concerned agencies will prepare capacity-building plans for improving skills and standards in each area of service provision.
126. **Harmonization:** Concerned agencies (SECC, MEF) will work under the framework of ASEAN financial integration initiatives, especially on the requirements and standards for intermediaries and professional firms in order to support mutual recognition.

Insurance

Background

127. The insurance sector began to develop in Cambodia after the Law on Insurance was promulgated in 2000. Cambodia's insurance market is relatively small compared to the larger ASEAN countries, but has grown steadily since the FSDS 2011–2020 was adopted.
128. Since 2010, one new general insurance company, five life insurance companies, six microinsurance companies, and three community-based insurers—two for health insurance and one for crop insurance—have been licensed. At the end of 2015, there were 21 operators licensed to provide insurance products and services, as well as seven insurance brokers and ten insurance agencies to distribute the products to customers.
129. The environment for insurance is welcoming to foreign ownership. Local insurance institutions may fully be owned by a foreign investor provided that the company is registered as a public limited company. Gross premium receipts from all insurance products increased from \$25 million in 2010 to \$86 million at the end of 2015. For the 12 months ending December 2015, non-life insurance premiums grew by 18% to \$62 million, life insurance premiums grew by 193% to \$22 million, and microinsurance premiums grew by 481% to \$2 million. Over the last 5 years (2011–2015), the average growth rate for gross premiums was 28%.
130. The enactment of a new Insurance Law in 2014 was a major achievement that will accelerate growth in Cambodia's insurance market.

Progress and Achievements

131. The insurance sector is well placed to take advantages of upcoming new opportunities through the development of new insurance products, better marketing, and additional public awareness. The development of microinsurance is helping to raise the awareness of insurance as it delivers to a different section of the population compared to conventional insurance offerings and services. The Insurance and Pension Department (IPD) of the MEF has recently drafted 16 *prakas* and 3 *anukret*, including extending compulsory third-party liability motor vehicle insurance, all of which will be consulted with the industry.

132. As a result of the addition of life and microinsurance providers, IPD staff had to quickly develop knowledge in new areas of insurance. In order to encourage the early development of microinsurance, a circular was issued to provide a basic framework for the licensing and regulation of microinsurance companies and enabled licenses to be issued quickly. The microinsurance sector is well on its way to addressing the needs of the lower-income population. A significant portion of the new business for microinsurance companies has come from products that have actively targeted and successfully addressed the insurance needs of women in rural communities (women are encouraged to purchase life insurance, as the premiums for women are lower than for men).
133. The Insurance Association of Cambodia was formed in 2005 to represent all general insurance companies that are conducting business in Cambodia. Since 2012, life insurance companies have become members of the association as well. The association has been active and works in close partnership with the regulator for the successful development of Cambodia's insurance sector. In the last 3 years, IPD and the association have used the media to promote and educate the public on different insurance services.
134. The development of microinsurance has opened up new distribution channels. New networks are being developed for conventional insurance. A few of the largest banks have partnered with life insurance companies to deliver life products. The insurance companies' staff can sell insurance products in the banks' branches.
135. IPD has made good progress in developing the processes for both off-site and on-site supervision. IPD has completed an initial off-site financial analysis on all the insurance companies and made 20 on-site monitoring visits to insurance companies in the last 2 years. In addition, IPD staff has completed an internal review of their operations in compliance with the 26 Insurance Core Principles.
136. In 2013, IPD officially established a legal and mediation division to mediate disputes regarding insurance activity matters. The purpose is to help resolve complaints and to avoid going to arbitration or the courts. However, this will not cover cases involving criminal activities and prosecution.

137. Cambodia is committed to ASEAN activities and hosted the 41st ASEAN Insurance Council Meeting and the 18th ASEAN Insurance Regulators' Meeting in Phnom Penh in October 2015. Cambodia's membership in this council is very beneficial because it allows the country to learn from more experienced regulators, and network with regional regulators who will need to work together regularly as insurance activities have become more global.

Constraints, Challenges, and Gaps

138. **Gaps to be addressed in the annual planning process.** There are a number of current gaps that are being addressed as part of IPD's annual planning process. These gaps include (i) the regulatory frameworks to be developed and enacted, (ii) the specialized technical skills to be developed and/or improved, (iii) on-site supervision processes, (iv) improving market penetration, (v) new distribution channels and increasing access to insurance, and (vi) improving governance in the insurance sector.
139. **Meeting anti-money laundering requirements.** Entities that participate in the insurance industry are considered to be reporting entities under the AML and CFT law and associated, relevant *prakas*. Accordingly, IPD is working with CAFIU to ensure compliance by reporting entities on the AML and CFT framework for safeguarding the financial sector from money laundering and the financing of terrorism threats and vulnerabilities.
140. **Risk-based and early warning supervision system.** IPD is using largely a manual-based process to assess the statistical and financial positions of insurers.
141. **Options to invest capital.** Insurance companies operating in Cambodia have limited options for investing their capital and reserves locally. This situation will become more challenging for the life companies as they build up their client base and accumulate funds that need to be invested in longer term investments. This emphasizes the importance for the government to support the development of a diverse and significant securities market in Cambodia to provide investment options that are suitable for insurance companies seeking to diversify the investment of their capital and reserves.
142. **Consumer protection.** With the development of more products and services, along with reaching more customers, there is a greater potential

for consumers to inquire and complain when they feel that an insurance institution has not properly delivered a product or service. Ongoing efforts are needed to educate consumers and ensure that they are being provided with accurate information that they can understand, and that their inquiries and claims are being handled properly and promptly.

143. **Disclosure of industry information.** With the growth in the industry, there is a greater need for information disclosure and transparency and insurance regulator's reporting. Ongoing efforts are needed to provide consumers and the industry with accurate information on the insurers and the industry to assist everyone in making informed insurance decisions and selections.

Future Strategy and Plans

144. **Sound regulatory environment.** To ensure an effective regulatory environment and sound governance to support the implementation of the Law on Insurance and to be consistent with the Insurance Core Principles, MEF is updating its *anukret* and *prakas* to cover life insurance, general insurance, microinsurance, intermediaries, and compulsory insurance by 2020.
145. **Compliance with Insurance Core Principles:** The insurance regulator of MEF is reviewing its supervision policies and processes, which needs technical assistance. Although the insurance regulator of MEF is no longer a member of the International Association of Insurance Supervisors, an assessment for compliance with Insurance Core Principles will be beneficial and improve supervision processes.
146. **Meeting anti-money laundering and combating the financing of terrorism requirements:** Future revisions in laws or regulations covering the insurance industry will include provisions covering AML and CFT obligations consistent with prevailing AML and CFT laws and *prakas*. If existing industry laws or regulations do not include such AML and CFT provisions, regulatory guidelines in coordination with CAFIU will need to be enacted under the main AML AND CFT law and/or *prakas*. IPD will provide additional support to ensure that their staff are trained in the industry reporting requirements of AML and CFT and that these requirements for AML and CFT are being met by the insurers.

147. **Risk-based supervision and early warning system.** IPD will improve these supervision processes by developing a risk-based approach to supervision, implementing an early warning system by 2022 and developing the information technology system to automate its analysis and monitoring of insurers' financial position.
148. **Other future strategies and plans.** These include strengthening the insurance industry by improving competition and protecting the consumers and creditors by (i) ensuring compliance with generally accepted best practices in respect of solvency, investment, reinsurance, reserve, accounting, and reporting standard requirements; (ii) standardizing and consolidating the electronic receipt of statistical and financial reporting information by 2019; (iii) publishing reports on statistical, financial, and examination reporting of insurance institutions on IPD's website by 2019; (iv) increasing the capacity of on-site examiners through improved supervision and examination techniques aligned with the industry's best practices by 2019; (v) improving consumer confidence in the insurance industry by developing and reviewing regulations on market conduct and consumer protection as well as a program on insurance mediation, complaints, and inquiry processes; (vi) increasing insurance penetration and density through a program to educate both the consumer and market participants via IPD's website and social networks; (vii) standardizing and consolidating the receipt and approval process for the insurance products, forms, and rates to ensure fair treatment for consumers by 2020; and (viii) setting up a policy unit within IPD that will be responsible for formulating policy for the Cambodian insurance sector.
149. **Insurance regulator.** In 2013, IPD was upgraded to a department from a division within MEF. However, it still lacks the resources necessary to operate effectively. In addition, one of the key requirements for compliance with Insurance Core Principle 1 is that the insurance regulator operates as a commission, as is currently the case in seven of the ten ASEAN countries. Between 2017 and 2020, MEF will examine the possibility of establishing the Insurance Commission to take on the supervisory responsibilities currently exercised by IPD.

Pensions (Social Protection)

Background

150. The government has set up three organizations to manage different aspects of social protection: (i) the National Social Security Fund for Civil Servants (NSSFC), (ii) the National Fund for Veterans (NFV), and (iii) the National Social Security Fund (NSSF).
151. NSSFC and NFV were established and supervised by the Ministry of Social Affairs, Veterans, and Youth Rehabilitation. NSSFC is responsible for providing six benefits to civil servants: retirement pension, disability benefit, maternity benefit, death benefit, dependents' benefit, and benefit following a work injury. NFV, on the other hand, manages retirement pension, invalidity benefit, maternity benefit, first marriage benefit, and death benefit for veterans.
152. NSSF is an independent body established to govern the funds established by the Ministry of Labor and Vocational Training, including the compulsory worker injury insurance scheme.

Progress and Achievements

153. NSSFC has been operating social security schemes covering 50,416 civil servants, while NFV has been covering 25 425 veterans.
154. NSSF, under the Ministry of Labor and Vocational Training, has a fully functional worker injury insurance scheme which provides protection to roughly 1.2 million private workers and employees. NSSF is planning to launch its health insurance scheme in late 2016.
155. In 2015, Royal Government of Cambodia made several points in its rectangular strategies, clearly identifying the need to reform the social protection system. MEF was assigned to chair a social protection technical working group, whose members are from relevant ministries working on social protection-related issues. Starting its work since the beginning of June 2015, the working group has completed a number of studies on pensions and aspects of social protection policy. An important focus of the working group's early work is on how to develop a more integrated environment for pensions and social protection in Cambodia.

Constraints, Challenges, and Gaps

156. **Policy and regulatory framework.** The current social protection system is not integrated and consistent, hence the need for government to establish a policy framework for the system as a whole. In addition, there are still gaps concerning laws and regulations governing this system.
157. **Contributions.** In 2011, an *anukret* was issued stating that civil servants make mandatory contributions of a portion of their salaries to the NSSFC and that ministries provide matching contributions. However, implementing the *anukret* and obtaining contributions from members has been delayed due to the lack of a system to handle collecting contributions and the low salaries of many government employees, which makes it difficult for employees to contribute. The present pension schemes administered by NSSFC and NFV where the government makes a contribution are starting to have a significant impact on the government's operating budget.
158. **Inconsistency of benefit.** NSSFC and NFV, which manage pensions for civil servants and veterans, are two different institutions providing different levels of benefits.
159. **Problem of current pension scheme.** The current Pay-As-You-Go Defined Benefit Pension is putting a heavy burden on the government budget. There is indeed the need of proper study to see whether or not this current pension scheme should be reformed.
160. **Small coverage of pension scheme.** Until now, only civil servants and veterans have their pensions when they retire, while the majority of the population in the private and informal sectors remains uncovered.
161. **Limited investment options for pension funds.** In Cambodia, the ability to save through different financial products such as bank deposits, insurance, and pensions is limited. There is also limited financial literacy in these areas. In addition, if the market for pensions grows, it will be challenging for the providers of pensions to find investment options in Cambodia. The development of a health and pension fund sector or other long-term social protection-type schemes in Cambodia is strongly linked to the development of capital markets in the country. There is \$50 million in the workers' compensation scheme that is deposited with a bank. This fund will continue to grow with new members. Longer term investment options

need to be implemented for this scheme and any other schemes which may be developed.

162. **Management and administration of pensions.** NFV and NSSFC are both concerned with the development of a social protection policy and have yet to combine administrative processes and use one information technology system for administration. However, pension funds require a number of specialized functions to be carried out in a coordinated manner. Therefore, a governing institution needs to be established to manage and supervise activities associated with the provision of pensions.
163. **Information technology systems to support pension funds.** NSSFC and the NFV do not have information technology systems that efficiently manage data on the pensioners and their dependents. The current management information systems to analyze and monitor data for policy development and forecasting are not efficient for the users and do not easily produce regular reports. In addition, the systems are not capable of administering funds that receive contributions from their participants.
164. **Cross-cutting issues.** Taxation, investment funds, financial literacy, governance, information technology systems, and gender issues need to be considered in an integrated manner to achieve the most effective development results in the social protection sector.

Future Strategy and Plans

165. **Develop a policy and regulatory framework.** The social protection working group will develop a social protection policy framework, a social protection law or code, and a law on private voluntary pension to be presented to the council of ministers.
166. **Develop a policy on structure of pension funds.** The government will undertake pension reform, shifting from the current non-contributory scheme to a contributory one which could potentially reduce the financial burden on the government's budget. However, a proper study is needed in this regard. The government will then develop an implementation plan based on the results of this study.
167. **Introduce state-managed pension scheme.** The government will launch a mandatory state-managed pension scheme for the private (formal) sector and at the same time study how to introduce a pension scheme to cover the private non-poor (informal) sector. Once the study has been

completed, a pension scheme for the non-poor informal sector will be introduced initially on a voluntary basis and for an eventual transition to a mandatory scheme.

168. **Introduce privately-managed pension scheme.** The government will grant licenses to private operators to operate privately-managed pension schemes.
169. **Improve management and administration of pensions.** The civil servants' fund and the veterans fund will review how their administration and systems can be combined. However, Cambodia still needs to have a single institution to manage and supervise these funds in association with the provision of private voluntary pensions. Therefore, the working group will review various options on how best to govern and manage pension funds and achieve the government's objectives of social protection. In many countries, there is only one institution responsible for the governance of all pension funds and one ICT system is used by a number of pension funds.
170. **Develop investment options for pension funds.** At present, pension funds can only invest in bank deposits. Diversification of investments is an important principle for pension fund investment management. MEF and SECC will coordinate their efforts and technical capabilities with stakeholders in the securities market to develop additional investment options for pension funds.
171. **Increase the technical skills needed for managing pension funds.** MEF will continue to organize study tours for staff to see first-hand how a mature pension market functions and what specialist roles different organizations play in such markets. In addition, MEF will invite pension experts to conduct specialized training courses in Cambodia.
172. **Implement ICT systems to support pension funds.** NSSFC and NFV will review their requirements for an ICT system to support the administration of their pension funds, focusing on a system capable of integrating many functions. In addition, the ICT system of social protection will be linked together with the information in the national identification card and ID-Poor since the working group's ultimate objective is to use a single ICT system for all government pension funds.
173. **Raise public awareness on the government's social protection program.** A communication plan to raise public awareness on the benefits of a social

protection program will be developed and implemented in order to encourage people to participate in the program, especially the non-poor informal sector to which the voluntary pension scheme will be introduced.

Real Estate Development and Property Valuation Services

Background

174. Increased urbanization in Cambodia has been accompanied by massive growth in real estate development. Factors contributing to this growth are strong GDP growth, political stability, and a surge in foreign direct investment, especially as a result of the new law that allows foreigners to buy property that is located at least one floor above the land.
175. Following the global economic crisis of 2008–2009, the Royal Government of Cambodia recognized the risk to financial stability posed by an unregulated real estate development sector and appointed MEF to establish the legal and regulatory framework to supervise and manage the activities of real estate developers, real estate agents, and property valuers. MEF issued regulations on the sector in 2007 and 2009 to give effect to the government’s desire to monitor the sector.¹

Progress and Achievements

176. **Real estate development.** There has been rapid growth in real estate development in Cambodia in the last 6 years. Through the first semester of 2016 MEF has granted real estate development licenses to 116 companies undertaking over 165 projects with a total investment cost of almost \$2,016 billion.
177. MEF has sought to strengthen enforcement by applying licensing rules and conducting regular onsite inspections. MEF is trying to improve the legal

¹ MEF Prakas No. 1222 (15 December 2009) Housing Development Business.

and regulatory framework to respond to the significant increase in the level of market development.

178. **Real estate agents and property valuers.** A licensing regime for real estate agents and property valuers was created in 2007 and the Cambodia Valuers and Estate Agents Association was established in 2008 and became the eighth member of ASEAN Valuers Association in 2009.² Through the first semester of 2016, MEF has granted licenses to 149 property valuation and real estate agencies. MEF conducts regular onsite inspections of these companies.

Constraints, Challenges, and Gaps

179. Currently, there is no adequate legal framework authorizing MEF to penalize market participants for illegal activities. Therefore, the laws and regulations need to include a robust legal framework to enable the regulations to be effectively enforced and, where appropriate, to impose penalties for violations.
180. Capacity building is also needed for both the private and the public sector. There is presently no training institute for real estate agents, property valuers, and other market participants. MEF has limited capacity to prepare and implement new laws and regulations and to formulate plans to both protect and further develop this important sector.
181. There are no standards or codes of conduct in place for property valuers or real estate agents, systems are needed for data collection and analysis to properly analyze activities in the sector, and adequate consumer protection and associated consumer information standards is required.
182. **Meeting anti-money laundering requirements.** The number of implementing agencies, staff, and reporting entities trained in AML and CFT law and regulations is limited.

Future Strategy and Plans

183. MEF will draft and enact new laws and regulations to address the regulatory gaps in real estate housing development and the activities of professional service providers in the sector, including property valuers, property managers, and real estate agents. The new laws and regulations will also include the establishment of body corporates, AML and CFT

² MEF Prakas No. 142 (13 February 2007) Property Valuation and Estate Agent Licensing.

requirements, consumer information standards and consumer protection, and additional requirements for property developers to meet.

184. MEF will introduce and implement the valuation standards and codes of professional ethics for valuation and real estate service providers in the sector. The valuation standards have to be compliant with the ASEAN Standard of Valuation and International Valuation Standards Council.
185. MEF will strengthen capacity building for regulators and market participants and seek to improve inter-agency cooperation for information sharing, especially given the importance of the real estate sector to crisis management.
186. MEF will establish a data management system and provide appropriate analysis for the real estate sector.
187. **Meeting the requirements for anti-money laundering and combating the financing of terrorism.** The General Department of Financial Industry, especially its Real Estate and Pawn Business Department, will provide additional support to ensure that training for staff, implementing agencies, and reporting entities on AML and CFT law and regulations is strengthened.

Pawnshops

Background

188. Due to growth of the pawn sector, in 2010, MEF issued *prakas* covering the licensing of pawn shop businesses, buying and selling of pawned pledges, and the transfer of title for security purposes.³

Progress and Achievements

189. MEF has issued 328 pawnshop licenses over the period 2010 to mid-2016. At present, licensed pawnshops have loaned \$37 million to its customers. MEF has conducted a number of training courses on the existing regulations with licensees and market participants. MEF also has worked

³Prakas No.028 dated 12 January 2010.

with MOI to strengthen and implement the existing regulations to cover legal licensees and illegal pawnshop operators.

190. MEF revised the pawnshop *prakas* to bring it in line with the realities of the sector and has drafted a law on the pawnshop business, the buying and selling of pawned pledges, and the transfer of title for security purposes.

Constraints, Challenges, and Gaps

191. Since this sector is newly established, further development of the legal and regulatory and supervisory frameworks is needed.
192. MEF does not have an ICT system to facilitate its supervision of pawn businesses and act as an early warning system for problems.
193. MEF lacks adequately trained ,skilled personnel and trainings in order to strengthen operator’s capacity in this sector.
194. **Meeting anti-money laundering requirements:** The number of implementing agencies, staff, and reporting entities trained on AML and CFT law and regulations is limited.

Future Strategy and Plans

195. MEF will issue new *Prakas* on Pawnshop Businesses and Transfer of Titles for Security for implementation in end 2016. MEF will also finalize the draft on Pawnshop Business and Transfer of Title for Security in order to establish appropriate mechanisms with professional responsibility and accountability between pawner and pawnee.
196. MEF will establish an ICT system to collect the data and information needed to supervise pawnshops and to provide an early warning system.
197. MEF will seek technical assistance to develop a capacity development plan for the staff and assist in drafting *prakas* on auction businesses and second-hand goods dealers’ businesses.
198. **Meeting the requirements for anti-money laundering and combating the financing of terrorism.** The General Department of Financial Industry, especially the Real Estate and Pawn Business Department, will provide additional support to ensure that training for staff, implementing agencies, and reporting entities on AML and CFT laws and regulations is strengthened.

Chapter 4: Support Infrastructure

Introduction

199. The development of the financial sector in Cambodia requires a supporting framework covering a number of key components: (i) capacity building across the sector both within the government ministries and agencies and the private sector; (ii) supporting accounting and auditing; (iii) sound legal and regulatory framework, including registry functions; (iv) an operational credit bureau; (v) financial inclusion support mechanisms, including targeted credit guarantees and deposit protection; (vi) introduction of trust entities across the financial sector; (vii) appropriate systems and standards; and (viii) integration with wider government strategies (e.g., social policy) and regional integration. The supporting framework contributes to a sound, market-based financial system to enhance resource mobilization and promote sustainable economic growth.
200. Examining the original 2001 Blueprint vision for the supporting framework: (i) the accounting and auditing and reporting systems in Cambodia have developed toward international reporting standards (CIFRS); (ii) laws, *anukret*, and *prakas* have been developed to support the current and anticipated activities in the commercial and financial sector; (iii) the payment system has been developed and continues to be improved; and (iv) human resource development has significantly improved the capacity of people in the sector. The challenge across the sector now is to take all of these forward and pursue the further integration and implementation of systems, application of standards, and improvements in capacity needed for Cambodia to fully achieve the benefits of participating in the ASEAN Economic Community.

Anti-Money Laundering and Combating the Financing of Terrorism Framework

Background

201. The AML and CFT framework presented in the FSDS 2011–2020 included policies and initiatives mainly aimed at illustrating the royal government’s high commitments to fight money laundering and financing of terrorism toward achieving the international best practices.
202. Cambodia was placed in a “grey list” due to strategic deficiencies of AML and CFT, but Cambodia had issued corrective action plans in a timely manner. Cambodia had made a high-level commitment to work with the Financial Action Task Force on Money Laundering (FATF) and the Asia Pacific Group on Money Laundering to implement these action plans, the main elements of which were incorporated in the FSDS 2011–2020. Planned policy measures include (i) adequately criminalizing money laundering and terrorist financing, (ii) establishing and implementing adequate procedures to identify and freeze terrorist assets, (iii) formulating and putting in place adequate procedures for the confiscation of funds related to money laundering, (iv) ensuring a fully operational and effectively functioning Financial Intelligence Unit, and (v) devising and applying effective controls for cross-border cash transactions.

Progress and Achievements

203. Cambodia made substantial progress by implementing a multitude of measures and initiatives to correct the deficiencies identified, and continued measures to strengthen the AML and CFT regime as envisaged in the FSDS 2016–2025. These persistent efforts made in strengthening the AML and CFT framework, led by the CAFIU of the NBC, resulted in a decision to remove Cambodia from the list of jurisdictions with strategic deficiencies at the FATF Plenary of February 2015.
204. Several amendments to the legal and regulatory framework for AML and CFT were enacted. Governance arrangements were strengthened through the establishment of the National AML and CFT Coordination Committee, a ministerial-level policy setting body. The committee developed the

National AML and CFT Strategy issued in March 2013 covering seven strategic areas, which was supplemented in December 2014. One important strategy is to conduct the national risk assessment, which involves the identification, analysis, evaluation, and mitigation of money laundering and terrorist financing threats. To undertake this work, a joint agency expert working group was established in August 2014, and lead by CAFIU.

205. Assistance from the ADB, World Bank, the US Treasury Department, the United Nations Office on Drugs and Crime, and other providers supported the implementation of policy measures as well as capacity and institutional building envisaged in the FSDS 2011–2020. Important steps were taken to strengthen and augment the capacity and capability of CAFIU. The establishment of reporting systems, which went live in June 2013, for electronic submissions of suspicious transaction reports and cash transaction reports improved CAFIU’s analytical process. Over the past 2 years, CAFIU’s staff has been increased to 17 and its physical facilities have been expanded.
206. CAFIU and other relevant AML and CFT agencies have received technical assistance which allowed the General Department of Customs and Excise of Cambodia to implement a cross-border declaration system to address money laundering and terrorist financing threats. It raised awareness in the Ministry of Justice, the Ministry of Interior, and law enforcement agencies to prosecute not only the predicate offences, but also (where applicable) to prioritize and grant urgency to money laundering and terrorist financing cases.
207. CAFIU applied for and subsequently gained membership in the Egmont Group at its plenary held in Barbados in June 2015. Compared to the position in 2011 at the beginning of the current FSDS period, the overall AML and CFT framework has been revised to better comply with the requirements of the FATF international standards.
208. Cambodia has embarked on the national risk assessment exercise for money laundering and terrorist financing risk and has been assisted by both the World Bank and ADB in this work. The risk assessment by individual banks and microfinance institutions has been completed and the results of this exercise are being consolidated into an overall banking and microfinance sector threat outlook for feedback into remedial

measures for mitigating money laundering and terrorist financing risk to the sector.

209. Cambodia will continue to exert efforts to achieve full compliance with all of the requirements of the FATF international standards well before the end of 2025. By that time, Cambodia will have developed a reputation for conducting transactions in a secure financial marketplace with proportionate measures to repel money laundering and terrorist financing criminals.

Constraints, Challenges, and Gaps

210. Even though the royal government has made significant achievements with regard to relevant laws and regulations, challenges and deficiencies remain which need to be addressed in line with FATF standard, especially the effectiveness of law and regulation implementations.
211. Cambodia is also constrained with a cash-based and high dollarized economy, and the banking system is still limited. The other deficiencies include a porous border, weak judicial system, and the presence of corruption.

Future Strategy and Plans

212. Cambodia has put great effort in providing necessary information for a mutual evaluation exercise to be undertaken by the Asia Pacific Group on Money Laundering at the end of 2016. Effective coordination among AML and CFT stakeholders is required to fill in the extensive questionnaires associated with technical compliance and effectiveness of the FATF standards, to stem money laundering and terrorist financing activities.
213. **Supervisory controls.** Implementing regulations and guidance will be developed to better clarify coverage for NGOs and nonprofit organizations within the AML and CFT framework. While a new law for casinos is being drafted, guidelines will be issued to better monitor casino operations and confirm that they adhere to AML and CFT preventive measures.
214. Furthermore, all laws and regulations applicable to nonbanks and non-MFIs, financial reporting entities (e.g., entities involved in securities and insurance), and designated nonfinancial businesses and professions will be reviewed and amended or supplemented to ensure that they are

consistent with the overall AML and CFT framework. Particular attention will be focused on the regulations and monitoring structure covering real estate, notaries, securities dealers, lawyers, and accountants.

215. **Capacity building.** CAFIU needs substantial additional improvements in its analytical capacities, processing information from suspicious transaction reports and cash transaction reports, and detecting trends in money laundering and terrorist financing threats from information sharing among domestic and international AML and CFT stakeholders. In order to achieve these improvements, building the capacity of AML and CFT regulators to strengthen the supervision and monitoring of compliance measures will be accelerated.
216. **Investigation capabilities.** There will be measurable and clearer efforts on the part of law enforcement and the judiciary to put greater emphasis on the offence of money laundering and terrorist financing involving the proceeds of crime. This will require technical assistance for further training programs in investigative techniques and information requirements for prosecution of offences linked to money laundering and terrorist financing crimes.
217. **Anti-money laundering and combating the financing of terrorism statistics.** CAFIU and other relevant authorities will review and improve statistical information on money laundering and terrorist financing activities. The comprehensive AML and CFT database to be maintained by CAFIU will be very useful to support improvements in investigative capabilities.
218. **Domestic and international cooperation.** To further improve coordination and cooperation with domestic regulatory authorities and international partners, additional agreements or memorandums of understanding may be needed. Developing the appropriate protocols for sharing information and meeting requests for taking countervailing actions may then follow.
219. **Legal and regulatory framework.** Continued reviews within the legal and regulatory framework for AML and CFT and, where needed, amendments or supplements of laws, regulations, and guidelines with the force of law will be considered.
220. **National risk assessment.** In the immediate term, substantial resources of AML and CFT stakeholders, particularly of CAFIU, will be focused on the

mutual evaluation process. The process is expected to contribute to accelerating the national risk assessment exercise. Greater efforts will be made to accelerate progress, particularly in gathering the required information for assessing the threats and vulnerabilities from money laundering and terrorist financing risks.

221. **Awareness raising.** Awareness raising is important, but may receive less attention because of financial and human resource constraints. Therefore, web-based packages and systems will be utilized.

Governance

Background

222. Good governance is regarded as essential for good business management, economic and business growth, and development.
223. The need for good governance in Cambodia is recognized in the Law on the Issuance and Trading of Non-government Securities and the establishment of the securities market.
224. The cultural and institutional development to support effective corporate governance through the business sector and the government has been endorsed by certain initiatives such as the establishment of the Government Subcommittee on Corporate Governance Development under the Private Sector Committee in 2009. However, many issues require solutions in order to support the widespread observance of corporate governance principles in Cambodia.
225. In the banking sector, corporate governance is a key principle in the Basel Core Principles for Effective Banking Supervision. Good governance has played an important role in prudent banking management and reducing risks in the banking sector. The NBC always pays attention to corporate governance in banks and financial institutions especially through enhanced supervision and implementation of regulations.
226. MEF has continued to manage and supervise real estate services and businesses with the aim to control the risks caused by real estate

developments and services that do not comply with government laws and regulations.

227. Mortgage and pawn businesses have imposed management practices to ensure good corporate governance and legal compliance within this sector, in order to transform these businesses into a mechanism for serving the demand for short-term liquidity in the national economic system.

Progress and Achievements

228. The SECC issued a *Prakas* on Corporate Governance for Listed Public Enterprise and is drafting a *Prakas* on Corporate Governance Code for Non-Listed Enterprise. The SECC has conducted a workshop for the management level with the Association of Chartered Certified Accountants-Cambodia on reading and interpreting financial information and a separate workshop for non-listed enterprises. NBC has also made a number of reforms to the legal and regulatory framework for the banking sector since 2008.⁴
229. The NBC has also made a number of reforms on the banking sector's legal and regulatory framework since 2008. These reforms include the issuance of *Prakas* on Corporate Governance for Banks and Financial Institutions, *Prakas* on Fit and Proper Regulatory Requirements for Applying Entities and Licensed Banking and Financial Institutions, and *Prakas* on Internal Control of Banks and Financial Institutions. Moreover, NBC is the first regulator in Cambodia that has strictly required all institutions under its authority to publish their financial reports as audited by an independent auditor.
230. MEF issued *Prakas* on Corporate Governance of Insurance Company to ensure public interest, public confidence on insurance services, and interests for insured natural persons and legal persons.
231. MEF issued the *Annukret* on Financial Trust and *Prakas* on Managing and Monitoring Financial Trust to manage trust fund operations in the banking and microfinance sectors.

⁴ Reforms include the issuance of *Prakas* on Corporate Governance for Banks and Financial Institutions, *Prakas* on Fit and Proper Regulatory, requirements for applying entities and licensed banks and financial institutions, and *Prakas* on Internal Control of Banks and Financial Institutions.

232. By the first semester of 2016, MEF had issued 165 licenses to housing development projects, 149 licenses to property valuation companies and real estate agents, and 328 licenses to mortgage and pawn business companies or enterprises. Through the provision of licenses to these operators, the real estate sector in Cambodia has developed and contributed to the country's economic growth. Specifically, the mortgage and pawn business also assist in short-term financing.

Constraints, Challenges, and Gaps

233. Some directors in the boards of banks and financial institutions have yet to sufficiently fulfill their duties in the spirit of good corporate governance, which hinders the conduct efficient business and the implementation of relevant regulations. Moreover, a number of these directors have limited experience and skills in corporate governance. As a result, they cannot effectively contribute to leading and managing these institutions.

234. At the same time, the knowledge, implementation, and promotion of corporate governance principles among listed and non-listed enterprises remain weak.

235. Moreover, MEF's current *prakas* and regulations are not effectively being implemented in the real estate and mortgage and pawn businesses.

236. Qualification of Trust funds have not been evaluated based on standards, its code of ethics has not been recognized, the capacity for supervising trust funds is limited, and the legal framework, supervision mechanism, public awareness, and monitoring of practices within this sector requires strong enforcement.

237. There are also concerns about the unspecified duties of key management positions in insurance companies as well as the lack of skills in strategy formulation that will allow these companies to adapt to new developments in the insurance sector.

238. Current regulations have provided a framework for implementing an obligatory pension fund. Legal frameworks to manage and supervise pension fund operations for the public and private sectors have not been prepared in accordance with technical principles of sustainable finance.

Future Strategy and Plans

239. **Awareness and understanding.** Institutions in Cambodia have not effectively provided trainings on management and governance to senior management and government officials. In order to address this problem, a training program will be initiated by relevant ministries and supervisors. This program will be provided to directors focusing on governance roles, duties, and responsibilities, and will include knowledge sharing and best practices in corporate governance. The working groups of the Private Sector Committee will coordinate with selected directors from the private sector to serve as training resource persons. The government will also consider encouraging the establishment of an institute of directors as a driver for improving governance and directorship.
240. **Banking sector.** Bank directors need to be educated on the governance principles for banks as stipulated in the recently revised guidelines of the Bank for International Settlements. Directors of licensed financial institutions will be required to attend compulsory workshops on governance principles of the Basel Committee.
241. The Association of Banks in Cambodia and Cambodia Microfinance Association will enhance the implementation of the Code of Banking Practices in order to ensure consistent operations in the banking sector, strengthen transparency, and encourage the practice of corporate equity culture within the working operations of banks and financial institutions.
242. NBC will continue enhancing the governance expertise among board of directors, senior management, and employees of banks and financial institutions as well as its own supervisors through trainings and the preparation of a long-term governance action plan in the banking sector.
243. **Trustees.** The enactment of the new Trust Law means that trustees will need to have a full understanding of the fiduciary and governance roles and responsibilities of a trustee. MEF and SECC will require relevant officials, employees, and prospective trustees who are responsible for implementing, monitoring, and supervising trust funds to attend the governance programs.
244. MEF will revise the current applicable *prakas* and regulations in order to enhance their effective implementation. MEF will also prepare some draft laws, including (i) Law on the Management of Housing Development, (ii)

Law on the Management of Valuation Business and Real Estate Business, and (iii) Law on the Management of Pawn Business and Transfer as Security along with other supporting regulations.

245. MEF will amend the *Prakas* on Corporate Governance of Insurance Company by relying on the lessons from actual practice as well as development trends in the global and regional insurance sectors to ensure that corporate governance principles are effectively crafted.
246. The government will prepare regulations to manage, supervise, and place all public pension funds into operation as part of the Law on Social Protection in order to ensure the effective, transparent, and accountable supervision and management of pension funds. In addition to that, the government will also prepare supervision regulations and launch the operations of a voluntary private pension fund.

Market Conduct and Consumer Protection

Background

247. Market conduct rules for participants and consumer protection rules (which guard against abusive behavior such as providing misleading information or misrepresentation) are essential for the trust and confidence of financial service users and the establishment of integrity and fairness in the financial services market. Market conduct rules may be applied through regulation of participants (as for banks or securities firms in the stock market), codes of conduct for licensed professionals, and laws which require proper conduct from all people entering into financial contracts or relationships.
248. Benefits of standards for consumers, particularly in disclosure of product information, make it easier for them to assess alternatives and understand what they are being offered. Financial reporting standards are important to make it easier for people to produce, understand, and use financial information.

249. Education is equally important in increasing awareness of products offered in financial markets (and other areas) and understanding their nature, benefits and advantages, and costs and liabilities. Financial literacy programs assist in communicating information between sellers and buyers, lenders and borrowers, agents and principals, and everyday traders.
250. In alignment with the Royal Government of Cambodia, the MEF has prepared legal mechanisms, procedures, and regulations to control real estate development businesses, real estate evaluation, and real estate agents in order to maintain stability and public confidence in this sector.
251. While the insurance market is relatively small and still in the development stage, consumer protection and financial literacy should already be implemented. The protection of consumers' interest is one of the main tasks in ensuring public confidence in the currently competitive financial market.

Progress and Achievements

252. **Market conduct rules and codes of conduct.** In 2015, a Code of Banking Practice was issued by the Association of Banks in Cambodia and the Cambodian Microfinance Association. SECC has enacted relevant regulations governing the conduct of licensed participants in the securities market. SECC has also adopted governance requirements for listed companies. The code of ethics of the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) is being replaced by the Code of Ethics for Professional Accountants issued by the International Federation of Accountants.
253. **Consumer protection.** With technical assistance from ADB, MOC drafted a Consumer Protection Law. This new law (i) is designed to protect consumers from unfair conduct and practices by businesses and professionals; (ii) provides a detailed list of information standards that businesses and professionals must follow in their dealings with consumers; (iii) allows other regulatory ministries and bodies to develop their own additional information standards by *prakas*, to regulate the activity of those businesses and professionals that the ministries and bodies license and regulate; (iv) establishes a Consumer Protection Agency to investigate and prosecute unfair conduct and practices by businesses

and professionals; and (v) establishes consumer associations to represent the views of consumers in the different sectors. The focus of the law is on regulating information to be provided to consumers and not on regulating transactions. In 2011, NBC issued a *prakas* that protects consumers by requiring banks and microfinance institutions to deal with customers in a transparent, fair, reasonable, and responsible manner when granting credit. With assistance from the International Finance Corporation, NBC has also been developing additional financial consumer protection and disclosure rules for the banking sector.

254. **Financial consumer protection.** The NBC has issued the following *prakas*: (i) *Prakas* on Calculation of Interest Rate on Microfinance Loans in 2001 requiring MFIs to calculate their interest rate based on disbursement amount minus repaid amount; (ii) *Prakas* on Annual Audit of Financial Statement of Banks and Financial Institutions in 2004 requiring banks and financial institutions to prepare their financial statements with certification from an external auditor and to publish to customers and the whole public; and (iii) *Prakas* on Transparency in Granting Credit Facilities of Banks and Financial Institutions in 2011 to protect consumers by requiring banks and microfinance institutions to deal with customers in a transparent, fair, reasonable, and responsible manner when granting credit. The NBC has also established a separate division under the General Directorate of Banking Supervision that will prepare laws and the regulatory framework, and accept complaints to ensure that financial consumers are protected and banks observe financial information disclosure.
255. **Financial literacy.** NBC is working to promote financial literacy by (i) working with United Nations Capital Development Fund to develop a national financial inclusion strategy; (ii) participating as a principal member of the Alliance for Financial Inclusion; (iii) working with World Education Australia Limited and Good Return on improving financial literacy and financial capability; (iv) joining discussion with the Ministry of Education, Youth, and Sport on the inclusion of financial literacy in the school curriculum; and (v) conducting public awareness campaigns in many provinces.
256. **Education and protection for investors.** As the level of public securities market participation in Cambodia is still low, education among investors

and the public about savings and pension provision opportunities remains a key concern. SECC is also working to strengthen investor protection.

257. In 2010, MEF enacted a *Prakas* on Real Estate Development Business Management. This *prakas* requires all real estate developers to (i) reserve a capital guarantee of 2% of the investment scheme value or scheme value phases, (ii) open one separate account for real estate developers to deposit or collect down payments from all kinds of customers; and (iii) withdraw money from this account for construction proportionate to the size of development. Nonetheless, the MEF has revised this *prakas* to better manage the sector by stating sanctions on those who do not abide by this *prakas*.
258. Formulation of regulations, market conduct, and consumer protection are being strengthened to ensure fair and transparent practices to maintain confidence among the insured. MEF has been developing a number of *prakas* such as Prakas on Marketing and Sales, Prakas on Code of Conduct for Directors, Officers, and Employees of Insurance Company, Prakas on Claims Policy and Procedures, and Prakas on Dispute Resolution. In addition, insurance consumer awareness program was included in regulator's annual action plan such as awareness workshops to the public in targeted provinces. All of these are part of financial literacy program.

Constraints, Challenges, and Gaps

259. Though a number of problems related to consumer protection have been resolved, NBC continues to address persistent issues such as the lack of financial literacy and personal and household financial management skills, which prompt a number of people to use informal financial services, e.g., loan sharks, that make them victims of exploitation. Furthermore, some credit officers of banks and financial institutions are not skilled in properly assessing customer's ability to repay, which results in borrowers not being able to pay back their loans.
260. Though there are on-going trainings, promotion, and securities-related regulations enacted in order to protect investors in the sector, understanding and participation of investors is still limited.
261. Public understanding also remains limited; the majority of Cambodia's citizens neither are accustomed to using the banking system nor completely understand the risks of using cash outside the banking system.

262. At the same time, there are a number of challenges in enforcing consumer protection such as the need to revise regulations to ensure regularity of insurance market transactions, lack of mechanisms on market conduct examination for insurance firms, capacity building for technical staff, and deficiencies in customer complaints mechanisms.

Future Strategy and Plans

263. Relevant ministries and agencies will establish appropriate disclosure standards among the entities that they regulate. These entities include estate agents, insurers, finance houses, and lenders. All financial sector participants will adopt and adhere to appropriate codes of ethics and conduct. Capacity building will be provided for government bodies and regulated entities.
264. The Consumer Protection Law will be enacted. MOC will develop a new law on the protection of consumer rights, which will prescribe the obligations of the seller after the transaction is completed.
265. Relevant government agencies will prepare financial literacy promotion programs to raise public awareness, especially targeting the teaching of financial literacy in general education curriculums of the national education system. The NBC has been expanding and promoting financial literacy to provide people basic knowledge related to choosing appropriate financial products and services as well as practicing personal and household financial management. The NBC will also continuously promote to the general public an understanding of the benefits of using formal financial services and disadvantages of using informal financial services such as loan sharks. The NBC will require credit officers to be trained in properly assessing the credit worthiness of credit applicants, in order to avoid the problem of the customer's ability to repay exceeding their real capacity to repay.
266. MEF will further promote to real estate developers and public the relevant regulations and associated risks arising from not using current accounts or using cash in real estate settlement outside the banking system.
267. MEF will continue to revise existing regulations and prepare additional ones to ensure the effective and efficient implementation of consumer protection. Encouraging consumers to share information and complaints related to irregularities of insurance firms can help guarantee adequate

supervision of insurance companies as well as to contribute to promoting accountability among industry players.

Accounting and Auditing

Background

268. **Accounting and audit standards in Cambodia.** Accounting provides the framework necessary to produce financial reporting information needed across all sectors of the economy.

269. The current accounting and auditing laws and regulations require all Cambodian registered entities, both for-profit and not-for-profit entities, to prepare their annual financial statements in compliance with applicable accounting standards. These standards include CIFRS and CIFRS for SMEs that correspond with International Financial Reporting Standards.⁵ In 2010, the Cambodian International Standards on Auditing and Assurance were also adopted to these ends.

270. CIFRS aims to

- promote transparency by enhancing the international comparability and quality of financial information;
- increase accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money, since International Financial Reporting Standards provide information that is needed to hold management to account and, as a source of globally comparable information, is also of vital importance to regulators; and
- contribute to economic efficiency by helping investors to identify opportunities and risks, thus improving capital allocation: for businesses, the use of a single, trusted accounting language lowers the cost of capital and reduces reporting costs.

⁵ Law on Corporate Accounts, their Audit, and the Accounting Profession (2002) as updated by Law on Accounting and Auditing (2016) and MEF Prakas 068 (8 January 2009).

Progress and Achievements

271. **Development of policy and enactment of laws.** MEF has introduced laws and regulations governing accounting, auditing, and the accounting profession in Cambodia. These include laws establishing the roles and responsibilities of NAC (the regulator) and KICPAA, the introduction of CIFRS and Cambodian International Standards on Auditing and Assurance, and other regulations.⁶
272. **Training and capacity building.** KICPAA and NAC have accomplished much in the areas of training and capacity building. KICPAA is developing its own syllabus and intends to introduce its own qualification examinations. It has also conducted some quality control reviews of audit firms and is developing an action plan to conduct reviews on the audits of small and medium practitioners. It has also developed a syllabus for training in CIFRS to be implemented in all universities (both public and private) that are providing business courses in 2016. Training of lecturers at eight universities in Phnom Penh and five in the provinces commenced in the first semester of 2016.

Constraints, Challenges, and Gaps

273. **Compliance with Cambodian International Financial Reporting Standards.** Despite the issuance of regulations requiring the adoption of CIFRS by all companies, a number of companies in the financial sector have failed to implement these standards. There is an acknowledged shortage of accountants knowledgeable in CIFRS and resources to develop a suitable support system in facilitating financial reporting requirements.
274. **Capacity building.** Both NAC and KICPAA require assistance to build capacity to monitor compliance with accounting, financial reporting, and auditing laws and regulations.

Future Strategy and Plans

275. **Compliance with Cambodian International Financial Reporting Standards.** NBC, as the regulator of banks, microfinance institutions, and financial leasing companies will develop formal transition provisions

⁶ An accounting framework has been in place in Cambodia since 2000. The Law on Corporate Accounts, their Audit, and the Accounting Profession was adopted in 2002. This law was recently updated when the Law on Accounting and Auditing came into effect in April 2016.

requiring the organizations to implement CIFRS by 2019. NBC is awaiting continued technical assistance from the World Bank to complete this process. NAC, as the regulator of national accounting reporting standards, will review whether additional transitioning provisions should be given to financial institutions to comply with CIFRS. MOC, as the licensor of registered companies, will consider whether the provision by registered companies of CIFRS financial statements for ongoing company registration compliance purposes needs to be deferred. Banks and MFIs that did not produce CIFRS financial statements for 2015 will be required to prepare a detailed transition plan.

276. MEF, as the regulator of insurance companies, will develop formal transition provisions requiring all insurance companies to convert to CIFRS as soon as is practical. Insurance companies that did not produce CIFRS financial statements for 2015 will be required to prepare a detailed transition plan.
277. **Training and capacity building in accounting and audit sector.** In order to help ensure that the education system in Cambodia provides adequate training in accounting and auditing, the syllabus for training in CIFRS shall be made a prerequisite for commencing certified public accountant (CPA) training. Transitional training will be required until these actions take effect.
278. Some students and even qualified CPAs have difficulty in understanding some of the more complex topics that are included in the latter part of the syllabus published by the Association of Chartered Certified Accountants; these topics include accounting for financial instruments and derivatives. In order to address this problem, additional training will be provided to CPAs and CPA students undertaking the more advanced levels of the qualification course.
279. NAC will further raise awareness on the need to comply with laws and regulations related to accounting and auditing by means of on-site monitoring as well as provision of training to audit firms. NAC and KICPAA will also further develop their mechanisms for monitoring audit quality of auditing firms and auditors. NAC will continue to build capacities of their staff, enabling them to monitor the compliance of laws and regulations relating to accounting and auditing as well as adapt to accounting and auditing trends regionally and globally.

Legal and Regulatory

Background

280. A sound, market-based financial system requires an appropriate policy, legal, and institutional framework on which to promote market-based finance and support good governance and the rule of law.

Progress and Achievements

281. Significant progress in developing the legal and regulatory framework for the financial sector in Cambodia has been made since the FSDS 2011–2020 was issued. The laws that have been enacted and implemented include Law on the Implementation of the Civil Code, Law on Insurance, and Law on Commercial Arbitration. After extensive consultations with the private sector, a number of new laws have also been drafted: (i) Law on Competition, (ii) Law on E-Commerce, (iii) Law on Consumer Protection, (iv) Law on Trust, (v) Law on Real Estate, (vi) Law on Management of Business for Valuation and Real Estate Business, and (vii) Law on Management of Pawnshop and Transfer as Security.

282. The NBC has been strengthening the enforcement of laws and regulations in the banking and financial sector and has been involved with relevant ministries to discuss and draft new laws that are in line with market developments and international standards. The NBC issued *Prakas* on Emergency Liquidity Assistance for Banking and Financial Institutions, *Prakas* on Liquidity Coverage Ratio, and *Prakas* on Minimum Capital Requirement of Banking and Financial Institutions.

Constraints, Challenges, and Gaps

283. Challenges faced during the process of preparing laws for financial sector development were (i) limited staff capacity, (ii) lack of technical assistance, and (iii) lack of education promotion and limited monitoring of implementation.

284. Legal and Regulatory Framework to ensure the effective oversight and supervision of social protection scheme have gaps to remain.

Future Strategy and Plans

285. **New laws.** The Competition Law, the E-Commerce Law, the Consumer Protection Law, and the comprehensive Trust Law that have been drafted will be enacted. In addition, the following laws required for Cambodia to comply with its obligations as a member of the World Trade Organization will also be prepared and enacted: (i) a Consumers' Rights Law (giving buyers post-sale rights and remedies), (ii) a Pension Law, (iii) a Franchising and Licensing Law, (iv) a Trade Secrets and Undisclosed Information Law, and (v) Privacy and Data Security Law. The Privacy and Data Security Law will enable individuals and organizations to access data held about them (including credit histories) and to require that the data be adequately protected and that any errors in the data be corrected.
286. In addition, two new regulatory bodies—the Competition Authority and the Consumer Protection Authority—will be established.
287. **Law on Secured Transactions.** The current Law on Secured Transactions will be amended to clarify issues around registration of lease interests and to permit intangible goods to be used as collateral and entered into the secured transactions registry.
288. **Law on Commercial Enterprises.** The current Law on Commercial Enterprises will be comprehensively reviewed, if necessary. Among other things, the review will focus on the introduction by MOC of online business registration in January 2016.
289. **Law on Marks, Trade Names, and Acts of Unfair Competition.** The current law on Marks, Trade Names, and Acts of Unfair Competition will be amended.
290. The government is aware of the importance of issuing *anukret* and *prakas* to implement the new laws and, where appropriate, will seek technical assistance in this regard. Regulations in banking sector: the NBC has been amending and preparing a new draft *prakas* on Asset Classification and Provisioning in Banking and Financial Institutions and Standardized Procedures for Prompt Corrective Action for Banking and Financial Institutions, as well as a draft *prakas* on Liquidity Risk Management and External Auditor.
291. **Regulation in the nonbank financial sector.** The MEF will prepare the enactment of drafts such as (i) Law on Trust, (ii) Law on Real Estate, (iii)

Law on Management of Business for Valuation and Real Estate Services and (iv) Law on Management of Pawnshop and Transfer as Security.

292. **Law on Social Protection Scheme and Law on Voluntary Private Pension.**

A working group will prepare the policy framework for the Law on Social Protection Scheme and Law on Voluntary Private Pension to ensure effective oversight and supervision in the pension sector.

Credit Bureau

Background

293. Cambodia Credit Bureau (CBC) operates a central database of credit information that enables banks and microfinance institutions to share their customers' payment histories, as supervised by NBC. CBC is a joint venture between Credit Bureau Holding Cambodia representing the Association of Banks in Cambodia, the Cambodia Microfinance Association, and Veda Cambodia Holding, which supplies the credit bureau technology.⁷ The objective of developing CBC is to promote financial stability in Cambodia by providing accurate, real-time data to consumers and the industry to help them manage the credit risk of their businesses. CBC's aim is to help businesses manage credit risk, detect fraudulent loan applications, and provide support for decision-making. CBC also allows borrowers to check the accuracy of their credit reports to ensure that they have access to loans, and helps individual consumers protect themselves against identity theft.⁸

294. The financial institutions have requested CBC to take a leading role in guaranteeing responsible lending and sustainable business practices in Cambodia's financial community. CBC's mission is to promote growth in Cambodia by encouraging responsible borrowing and lending. Accurate and reliable credit reporting is essential to support financial stability and promote development and economic diversification. CBC is making good progress toward achieving its mission by providing accurate, real-time

⁷Veda Advantage is an Australian-based company specializing in operating credit bureau services.

⁸Cambodia Credit Bureau. <http://www.creditbureaucambodia.com/about-us/about-cbc.php>

credit information to Cambodian businesses and consumers. This decreases the risk of lending for businesses while at the same time making capital accessible to more borrowers.

Progress and Achievements

295. CBC commenced operations on 19 March 2012. Regulations require all banks and MFIs in the country to provide credit data to the system. In addition, it is mandatory for all banks and MFIs to obtain a credit report on any loan applicant as part of the underwriting process. Today, CBC is a fully functional credit bureau supported by *prakas* on credit reporting. CBC has conducted a successful public campaign to raise awareness on the usefulness of the credit bureau.

Constraints, Challenges, and Gaps

296. **Access to company registry.** CBC does not currently have access to the company registration details held by MOC. With the advent of the newly launched online companies' registration system by MOC, it enables online access for CBC to receive real-time credit information as well as companies' credit history in addition to the individual's credit history. Public access to the registry of companies may require some minor legislative changes to the Law on Commercial Enterprises.
297. **Access to trust registry.** Currently, MEF does not have any trust registry as this sector is new, which requires (i) high cost in developing an ICT system, (ii) staff capacity building, (iii) broad public awareness, and (iv) technical assistance from developing partners.

Future Strategy and Plans

298. **Financial trust.** After the Trust Law is enacted, MEF needs to issue an *anukret* or *prakas* to provide access for CBC and the public to the online trust registry.
299. **Effective performance.** NBC will continue to strengthen its supervision of CBC to ensure effective performance of its duties by enacting resolutions that focus on technology improvement, capacity building, safety of data storage or maintenance, and users' protection.
300. **Commercial credit report.** NBC will continue to cooperate with CBC in developing commercial credit reports which cover all commercial lending

either to the company or individual representing the company or corporation.

Credit Guarantee and Depositor Protection

Background

301. The poor and rural population in Cambodia typically live and work in the informal economy, not by choice, but by necessity. They need a broad range of financial services to support their lives, create wealth, manage risks, and encourage consumption. For the poor, financial management is a basic need and requires a thorough understanding of the challenges they face in everyday life. Evidence suggests that access to and use of formal financial services has a beneficial and positive impact on a variety of microeconomic indicators, including self-employment, business activities, household consumption, and well-being.
302. In rural areas, women are generally the main income earners and providers of household needs. Women have thus increasingly become the focus of financial service providers. Approximately 79% of borrowers and 69% of depositors of microfinance institutions are women and many of these institutions have developed new lending and deposit products specifically for women.
303. The government has a number of policy tools to assist financial inclusion. These tools include literacy programs on financial services and products, SME credit guarantee schemes, and depositors' protection schemes.

Progress and Achievements

304. **Credit guarantee scheme.** Many countries have helped to stimulate the growth of lending to SMEs through a well-structured credit guarantee scheme (CGS). Over the past 2 years, MEF has been researching ways to develop SMEs. Its research found that the majority of developing economies have crafted a CGS as an option to provide SMEs with access to finance to support the growth of their businesses.

305. MEF is now studying ways to implement a CGS for SMEs in Cambodia. MEF officials have undertaken study visits to the Thai Credit Guarantee Corporation (TCG) in Thailand. TCG is a state-owned enterprise and a specialized financial institution under the supervision of the Ministry of Finance of the Government of Thailand. Since 1985, TCG has provided credit guarantees for viable SMEs to obtain loans from financial institutions. TCG has become one of the Thai government's key mechanisms to develop the SME sector.
306. **Depositor protection scheme.** Many countries have implemented a depositor protection scheme (DPS) to protect bank depositors (particularly small and less financially sophisticated depositors), in full or in part, from losses caused by a bank's inability to pay its debts when due. The development of a DPS will increase public confidence in the banking system and contribute to financial stability by reducing the risk of "runs."⁹ NBC has established a DPS working group that is examining the necessary legal and regulatory framework for establishing a DPS and potential DPS models, with assistance from a specialist consultant provided by the US Treasury Department.¹⁰ A feasibility study on the establishment of a DPS in Cambodia is planned to be conducted to assess and/or recommend (i) the preconditions for the establishment of a DPS and current readiness; (ii) the coverage of the DPS; (iii) the funding of the DPS, including the amount of the premiums to be levied on banks and MDIs; (iv) the organizational structure, form, and governance of the DPS; and (v) the legal and regulatory framework needed for the DPS.¹¹ MEF has finalized the first research study report on deposit insurance institutions in 2014 and is studying the possibility of developing a deposit insurance institution.
307. NBC is currently conducting a feasibility study on the establishment of a corporation to administer the DPS.

⁹A "run" occurs when a large number of customers of a bank or other financial institution withdraw their deposits simultaneously due to concerns about the institution's solvency. As more people withdraw their funds, the probability of default increases, thereby prompting more people to withdraw their deposits.

¹⁰ According to Article 40(m) of the Law on Banking and Financial Institutions, NBC is empowered to issue regulations for the rules governing the Deposit Protection Scheme, after appropriate consultation.

¹¹ Coverage issues include (i) the maximum amount of deposits that will be reimbursed in the event of the failure of a financial institution and (ii) whether foreign currency deposits or only local currency deposits will be protected.

Constraints, Challenges, and Gaps

308. **Credit guarantee scheme.** Banks and microfinance institutions are reluctant to lend to SMEs because SMEs cannot fulfill their duties such as (i) showing business registration documents; (ii) producing financial statements, including comparative figures; and (iii) providing enough collateral for loans.
309. In order to address this problem, MEF has been preparing (i) policies and strategies for (a) risk-sharing among borrowers, lenders, and guarantors; (b) addressing moral hazard issues; and (c) increasing the capacity of SMEs to prepare business plans, produce accounts, and manage their SMEs' businesses; (ii) a strategy for the government to develop and implement a CGS for SMEs; and (iii) a road map needed to implement a CGS to help strengthen the development of SMEs in Cambodia.
310. MEF has already studied and identified several benefits to the economy from a well-structured CGS, structured in a way that promotes best business practices. In this regard, MEF still needs to further investigate how to reduce the risk that would be borne by the Cambodian CGS (including risk-sharing options in industry), how to tie-in the provision of credit guarantees for financial literacy programs, the adoption by SMEs of financial reporting standards, and business planning processes for SMEs.
311. **Financial reporting.** Although there is a *prakas* requiring companies to have audited financial statements, this requirement is not enforced and could be made a pre-requisite for access to any CGS.

Future Strategy and Plans

312. MEF is leading and facilitating the feasibility study and possible policy and strategy formulation of a credit guarantee in Cambodia.
313. NBC is coordinating the development of a DPS policy and strategy, and both NBC and MEF are building the capacity of the working group identified to prepare a feasibility study on developing DPS in Cambodia. The working group will conduct study visits to some countries within the region to better understand the processes and experiences in developing DPS, especially regarding the legal framework, governance, risk management, operation, cooperation with related authorities, and resolving issues with problematic banks and financial institutions.

314. At the same time, NBC and MEF will continue to implement their duties in accordance with their respective strategic action plan, including the design of policy documents on developing DPS in Cambodia which are expected to be finalized by the end of 2016, followed by the drafting of the DPS Law and regulations in the beginning of 2017. The drafting of these laws and regulations is planned to be ready for public consultation with relevant stakeholders in 2018.

Trusts

Background

315. A trust is a legal relationship whereby someone (the trust creator) gives property to someone (the trustee) to look after and use it for the benefit of someone (the beneficiary). The relationship places legally enforceable obligations on the person holding the property to manage it for the benefit of the person entitled to receive the benefits of the property.
316. Some trusts are being used as commercial form which would have an impact on the financial sector, including (i) holding client money such as insurance arrangements or insolvency circumstances; (ii) a dispute or potential dispute, including where security is being taken or in major litigation related to trust management; (iii) employee incentive schemes, including all types of benefits for employees, share trust schemes, and pension funds; and (iv) CISs, including unit trusts and property investment trusts.
317. Trusts is one of the most important legal instruments which is invested for financial markets. Three important categories of commercial trusts are pension fund trusts, investment trusts (including mutual funds, real estate investment trusts, dividend trusts, and asset securitization trusts), and regulatory compliance trusts (which are created for the purpose of discharging responsibilities imposed by law).
318. Trust regulation compliance covers (i) real estate investor trusts, where property investors' funds are held in trust and released to developers

upon agreed and independently verified staged-completion of property development (condominiums, housing developments, etc.); (ii) law firm's trust accounts, where lawyers act as safe keepers for client funds; and (iii) remedial trusts, which are used in legal disputes to make payments to present and/or future claimants. Trusts are also used in commercial form including provisions, guarantees, and debt structuring.

Progress and Achievements

319. A new Trust Law has been drafted. A sub-decree on financial trusts was enacted in 2013 and currently applies to legal persons that have received international donor funds in the name of the Cambodian people, aimed at developing the banking and microfinance sector in Cambodia. This trust is being used as either debt or equity (share) in banks and licensed microfinance institutions structured as companies. These sub-decrees on financial trust and *prakas* on managing and monitoring of financial trust are still valid, despite the pending enactment of the new Trust Law.¹²

Constraints, Challenges, and Gaps

320. The trust sector is complicated and involves several relevant institutions. Trust registration is limited as some trustees are not fully aware of their obligation, and the obtaining of information and capacity of regulators is limited, thus the need for capacity strengthening.

Future Strategy and Plans

321. **Relation of Trust Law, sub-decree, and *prakas*.** The Trust Law will be enacted and relevant ministries and agencies will need to come up with different sub-decrees and *prakas* to continue implementing their respective missions as they operate within the financial sector. These regulations cover trust operations, including legitimate obligations and *prakas* on AML and CFT.
322. **Trust registry.** A registry system similar to the online registration system for corporations adopted by MOC will be considered, with MEF being granted use of MOC's online system but with MOC still maintaining its own separate and secure access and sole authority to permit access.

¹² Prakas on the Management and Monitoring of Financial Trusts, 26 September 2014.

Systems and Standards

Background

323. Activities in the financial sector are increasingly dependent on ICT to enable them to be carried out efficiently. Central to these activities are the systems used for the reliable recording and communication of transfers of ownership of money and securities.
324. Safe and efficient payment, clearance, and settlement systems are crucial for financial sector operations. The government is progressively developing the national payment system to support the development of new, innovative payment instruments and payment services on a standardized and national basis. NBC is progressively developing its systems and services, along with regulations and oversight, in accordance with a road map to respond to the changes in an increasingly dynamic industry.

Progress and Achievements

325. In response to advances in the market, NBC has gone through several phases of development:
- In 2012 NBC updated the payment system to provide automated clearing house settlement for the different types of payment transactions between banks.¹³ Settlement processing takes place at set times daily in NBC's automated clearing house system by debit and credit against each bank's settlement accounts.
 - Payment settlement is currently by periodic net settlement.
 - NBC has issued both US dollar-denominated and riel-denominated NCDs. NCDs may be used by banks in place of cash deposits and liquidity reserves held at NBC, and as collateral for funding their settlement accounts.
 - Currently, point of sale (POS) transactions is processed as credit and debit transactions within banks. NBC has developed a national ATM

¹³ ADB. 2006. Technical Assistance to Cambodia for the Financial Sector Program II Implementation. Manila (TA 4999-CAM); ADB. 2009. Technical Assistance to Cambodia for the Implementation of Subprogram 4 of the Financial Sector Program II. Manila (TA 7472-CAM). These technical assistance projects provided support for updating NBC's payment system.

and POS-linked network system for debit transactions and, separately, a fully automated system for issuing and tendering (FAST) for electronic funds transfer and mobile banking transactions between banks and microfinance deposit-taking institutions (MDIs). This is expected to be finalized in 2016.

- NBC has issued a *prakas* on third party processors that defines the duties and responsibilities of these service providers, their scope of operations, and their reporting requirements, including procedures to combat money laundering and the financing of terrorism.
- NBC has authorized establishments to offer money remittance, mobile payment, and mobile banking services and these services have been extended to rural and remote areas where formal services are not available.
- NBC is drafting *prakas* to regulate payments systems in order to promote the soundness, safety, efficiency, and competitiveness of the national payments system; ensure interoperability and integration of systems; guarantee access to payment services; protect users' interests; and support financial inclusion.

326. **Association of Southeast Asian Nations financial integration and payment and settlement systems.** Participation in the ASEAN Financial Integration Framework has been a key driver for the direction of development in the financial sector, and Cambodia has made good progress in preparedness for integration into the ASEAN financial community.

327. For payment systems integration, NBC has agreed to connect two systems between ASEAN members: (i) the large-value payment system (by using ISO20022 standard messages), with all members considering to connect their RTGS systems to a Society for Worldwide Interbank Financial Telecommunication Closed User Group platform; and (ii) the central shared switch (ATM and POS) connection to Asia Payment Network (APN) to encourage use of local debit cards.

- **ISO20022 and ISO8583 implementation.** The national clearing systems are ISO20022 compatible. The FAST, electronic funds transfer, mobile, and ATM and POS-linked retail payment systems

being introduced use, or are compatible with, ISO20022 and ISO8583.

- **Use of Asia Payment Network for debit cards.** The APN allows the ATMs of ASEAN members to process cross-border debit withdrawals. This functionality is provided for in the ATM and POS switch being introduced by NBC. Completion of the system will allow connection to the APN once legal and procedural matters are resolved.
- **Developed domestic retail payment systems.** The FAST and ATM and POS projects have been initiated by NBC and, after procedures and agreements with the banks and other participants have been completed, are expected to be implemented starting in 2016.

Constraints, Challenges, and Gaps

328. The existing regulatory framework needs to be enhanced to respond to the current development of a networked payment system, particularly the adoption of new technology in payment services.
329. In the ASEAN framework, Cambodia has not yet put in place sufficient electronic payment infrastructure, especially large value payment system or RTGS for connecting with other ASEAN members.
330. The capacity to implement supervision and oversight of payment system and payment service providers is still limited and needs to be further enhanced to catch up with market developments.
331. International principles and standards are not widely adopted in Cambodia's financial sector, which deters the promotion and facilitation of integration with the rest of ASEAN.

Future Strategy and Plans

332. **Support for implementation.** NBC will look to strengthen the regulatory framework as well as rules and procedures to fast-track the achievement of benefits from application of available technology in the financial sector, and for improved supervision of electronic and mobile banking transactions.
333. NBC will proceed to implement measures to provide (i) the regulatory framework for payment systems and payment services; (ii) guidelines on a standard for payment messages; (iii) standards for ensuring that service

providers are consistently delivering on time and reliably; and (iv) standards to determine whether an e-banking transaction constitutes a deposit, a simple money transfer, or a cross-border transaction.

334. **Self-assessment.** SECC will conduct a feasibility study on International Organization of Securities Commissions Core Principles compliance. NBC will conduct a self-assessment to confirm if the current system conforms to Principles for Financial Market Infrastructure.
335. **Interconnection options and standards.** NBC will review the options to connect Cambodia's payment and settlement systems with the payment system of other countries in the region and the rest of the world. As a member of ASEAN, Cambodia will work toward integration with other members and joining the APN (also known as AsiaPay).
336. **Real time gross settlements implementation.** NBC will proceed to allow banks to settle high-value payments using RTGS and ensure that electronic funds transfer systems and high-value payment system arrangements are implemented to eliminate or minimize gaps in transaction values between the two systems. NBC will also review the transaction value limit in the new FAST system to minimize the gap between the value of transactions in this system and the high-value payment system transaction size.
337. Stages in the development of the payment system will include (i) electronic payment settlement for securities transactions; (ii) RTGS for high-value payments; (iii) the further extension of settlement account access to nonbank financial institutions, e.g., MDIs; (iv) the development of money market operations for banks, including the issuance and trading of government securities; and (v) the enhancement of payment services.
338. **Financial sector standards.** Cambodia will actively promote and use international standards in the financial sector.
339. Cambodia is already using a standard for a national identity card, and will review use of the global Legal Entity Identifier based on ISO17442 in systems already being implemented for registering businesses and the identity of financial entities.¹⁴ The common system and database built around the system being developed by MOC for business registration will also be used for the identification and registration of other financial

¹⁴ Legal Entity Identifier Regulatory Oversight Committee. 2015. *The Global LEI System and Regulatory Uses of the LEI*. http://www.leiroc.org/publications/gls/lou_20151105-1.pdf

market participants, maintaining secure and separate access for the different agencies using the system.

340. **Anti-money laundering and combating the financing of terrorism.** Responsible agencies will monitor and ensure that new or changed laws or regulations covering new payment or settlement methods and processes include provisions covering AML and CFT obligations consistent with prevailing AML and CFT laws and *prakas*.
341. **Securities settlement.** NBC, SECC, and CSX will work together to facilitate improved processes for payment settlement of CSX trades through connection to the NBC payment system and the use of settlement accounts already held by registered banks at NBC.
342. **National settlement and depository.** MEF, NBC, and SECC will work together to plan and put in place the best structures to support the development of a government securities market.

Integration

Introduction

343. Cambodia is a member of the ASEAN Economic Community (AEC) and is committed to following the AEC Blueprint 2025.¹⁵ Government agencies and ministries all have development roles that contribute to the government's aims to grow the economy and benefit its citizens.
344. The IMF has noted the growing Cambodian economy and "encouraged the authorities to continue their efforts to promote economic diversification and inclusive growth. Efforts to improve competitiveness should focus on upgrading infrastructure and boosting rural access, strengthening human capital, and improving the investment climate by reducing the overall cost of doing business."¹⁶
345. The government seeks to develop its programs in an integrated way to ensure they are relevant and appropriate, effective, efficient, sustainable,

¹⁵ASEAN Secretariat. 2015. *ASEAN Economic Community Blueprint 2025*.

<http://www.asean.org/storage/images/2015/November/aec-page/AEC-Blueprint-2025-FINAL.pdf>

¹⁶IMF. 2015. *Country Report on Cambodia*. <http://www.imf.org/external/pubs/ft/scr/2015/cr15307.pdf>

have the desired impacts, and that implementation processes are ethically and environmentally responsible.

346. This FSDS and its component sections address these concerns as they relate to the financial sector. The role of the financial sector as facilitator of developments in all other sectors is important and requires that strategies for financial sector development are well-integrated with social, human capital, gender, rural development, trade, regional integration, and economic growth objectives.
347. Integration of strategies and actions within the finance sector is a challenge and integration of these with other sectors is a broader challenge. Where possible, financial sector development strategies and actions that contribute to achievement of other sector, national, and regional goals will be given priority.

Social Policy Integration

348. The government is actively pursuing a social protection policy to address the challenges of an ageing population, increasing life expectancies, high levels of poverty and inequality, a large informal economy, and rising wages.
349. The framework being developed for implementation is being led by MEF, with support from concerned agencies, ministries, and committees.
350. In the section on pensions, this report identifies the growing role of managed funds for the development of funds to meet social benefit liabilities.
351. This is an obvious area for integration with financial sector development, as funds from pension contributions represent current citizens' savings as well as employer and government contributions to these pension funds.
352. In order to meet future claims on goods and services in the economy when withdrawals are made, these savings, in turn, finance investments seeking growth in real terms to match national economic growth. As such, they need opportunities for investment in national economic activities that can only be effectively provided for by these significant funds through equity investment in a cross-section of national, regional, and overseas economic activity.
353. Within Cambodia this requires the development of diversified and liquid capital markets. Developing that market is a priority for the finance sector.

354. The implementation of social policy programs thus needs to be integrated with the achievement of financial sector development goals.

Regional and Sector Integration

355. The ASEAN leaders adopted the AEC Blueprint 2025 at the 27th ASEAN Summit on 22 November 2015 in Kuala Lumpur, Malaysia.¹⁷ The blueprint provides broad directions through strategic measures for the AEC from 2016 to 2025.

356. This blueprint follows work on the implementation of AEC Blueprint 2015 which has the vision of (among others)

- eliminating tariffs and facilitating trade;
- advancing the services trade liberalization agenda;
- liberalizing and facilitating investment;
- streamlining and harmonizing capital market regulatory frameworks and platforms;
- facilitating skilled labor mobility;
- promoting the development of regional frameworks in competition policy, consumer protection, and intellectual property rights;
- promoting connectivity;
- narrowing the development gap; and
- strengthening ASEAN's relationship with its external partners.

357. The financial sector integration vision for 2025 encompasses three strategic objectives: financial integration, financial inclusion, and financial stability, and three cross-cutting areas (capital account liberalization, payment and settlement systems, and capacity building).

358. Cambodia has shown good progress in establishing its financial framework and services component under this blueprint, and this FSDS identifies the areas where continued or further action is needed under the new blueprint.

359. While systems development is proceeding according to regional standards, in order to facilitate mutual recognition for the integration of services, attention needs to be given to the harmonization of legal and regulatory frameworks in the financial sector.

¹⁷Footnote 15.

Chapter 5: Capacity Building

Background

360. Human capacity building is a priority for financial sector development in Cambodia. The basic deficiency that impedes financial sector development in Cambodia, as well as in other developing countries, includes underdevelopment of institutional and commercial frameworks, lack of technical expertise, and limited human capacity. Finding adequately trained and skilled people to meet the needs of a growing financial sector is an ongoing challenge for Cambodia. The growth in the sector puts pressure on efficient service delivery to customers and effective regulatory aspects, which require consideration on capacity building.
361. The government's open market policy has attracted many experienced foreign bankers and insurance company executives. As a result, most of the senior managers are experienced and competent. However, at the middle and low level management, most banks continue to have difficulty in finding qualified staff. Thus, most staff at these levels need substantial professional training in basic banking or insurance operations to deal with this issue. Most banks and insurance companies have established in-house training courses which were offered by the Cambodia Institute of Banking, NBC's Center for Banking Studies, and other local institutions.
362. NBC is enhancing and strengthening the capacity for supervising banks and financial institutions through technical support from ADB, the IMF, the World Bank, the US Treasury Department, and others. NBC's Banking Supervision General Directorate has trained and built the capacity of its own supervisory officers.
363. The insurance regulator and insurance companies have trained insurance staff locally, with some senior staff having received their training overseas. Some foreign institutes come to Cambodia to offer specialized training courses on this sector and with technical support from ADB, the insurance regulator's office has offered a technical capacity-building program.

Constraints, Challenges, and Gaps

364. In the next stage of financial sector development, Cambodia must continue to provide ongoing support for capacity building. The improving

capacity in different areas has been well developed such as regulation and supervision, the payment system, disseminating statistical data and information, the use of information technology, and anti-money laundering and combating the financing of terrorism.

365. Updating and upgrading skills is a priority task and still plays important role in deepening the financial system and for taking on new and emerging risks. Financial sector regulators must continue to strengthen and upgrade the capacity of their own supervision staff in order to be able to effectively manage these developments.
366. Three factors that increase the demand for capacity development are
- the rapid increase in the size of banks, microfinance institutions, and insurance companies;
 - the introduction of new systems, products, and instruments as the financial market grows and diversifies; and
 - the loss of trained staff from the government to the private sector due to better incentive packages.

Future Strategy and Plans

367. The government will continue to develop capacity in all areas of the financial sector. An assessment of the needs of each area of the financial sector will be carried out in order to focus training needs. Based on this assessment, the royal government will develop a strategic skills training plan in resource allocation, budgeting, and implementation. Financial sector- related ministries and agencies will continue to conduct a dialogue with the Ministry of Education, Youth, and Sport, universities, and training institutes to help align their strategic and operational plans with the strategic skills training plan for the financial sector. The dialogue will include a review of curriculums, teaching methodologies, and student assessment.

Chapter 6: Action Plan for Financial Sector Development 2016–2025

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
Banking Sector				
Banks				
POLICY: Financial Stability				
1. Financial stability monitoring and early warning system	<ul style="list-style-type: none"> Strengthen financial stability monitoring unit and improve financial stability report. 	<ul style="list-style-type: none"> Enhance policy recommendations to better manage risks to financial stability. 	<ul style="list-style-type: none"> Develop communication framework for promoting financial stability. 	NBC
	<ul style="list-style-type: none"> Develop early warning system. 	<ul style="list-style-type: none"> Implement early warning system. 	<ul style="list-style-type: none"> Improve early warning system. 	NBC MEF SECC
	<ul style="list-style-type: none"> Set-up a joint financial stability technical group. 	<ul style="list-style-type: none"> Establish National Financial Stability Committee. 		NBC MEF SECC
2. Crisis prevention and management framework	<ul style="list-style-type: none"> Establish formal crisis cooperation and crisis management framework, including financing options. 	<ul style="list-style-type: none"> Ongoing crisis simulation exercises 		NBC MEF SECC
	<ul style="list-style-type: none"> Develop feasibility study on depositor protection scheme. 	<ul style="list-style-type: none"> Draft law or regulation on depositor protection. 		NBC (Lead Agency) MEF
	<ul style="list-style-type: none"> Conduct feasibility study on a special resolution 	<ul style="list-style-type: none"> Draft law or regulation on special resolution regime 	<ul style="list-style-type: none"> Enact law or regulation on special resolution 	NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned		
	regime for banks and financial institutions.	for banks and financial institutions.	regime.			
3. Promotion of the use of the riel	<ul style="list-style-type: none">Approve national policies to promote the use of riel.	<ul style="list-style-type: none">Develop markets and infrastructure to further promote use of riel.	<ul style="list-style-type: none">Improve conditions for independent monetary policy.	MEF	NBC	Involved agencies
4. Improved security and collateral	<ul style="list-style-type: none"><u>Land titling</u>: Prepare a plan to speed up the issuance of hard titles and need to reduce costs.<u>Strata titling</u>: Issue guidance on strata titles.	<ul style="list-style-type: none">Implement plan to speed up the issuance of hard titles and remove improperly recorded security interest.		MLMUPC		
	<ul style="list-style-type: none"><u>Secured transaction registry</u>: Develop a plan to register security interests in immoveable and intangible property.	<ul style="list-style-type: none"><u>Secured transaction registry</u>: Implement registration of security interests in immoveable and intangible property.		MOC		
	<ul style="list-style-type: none"><u>National identification card</u>: Speed up issuance of national identification card.			MOI		
POLICY: Improved Market Conduct and Supervision						
5. Compliance with Basel Core Principles	<ul style="list-style-type: none">Improve compliance with Basel Core Principles for Effective Banking Supervision.	<ul style="list-style-type: none">Ongoing improvement of compliance with Basel Principles		NBC		
6. Payment system	<ul style="list-style-type: none">Strengthen supervision and oversight of payment system and services.			NBC		

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
7. Consumer protection	<ul style="list-style-type: none"> Strengthen consumer protection prioritizing: (i) lending, (ii) advertising, (iii) complaints, (iv) fees, (v) interest rates, and (vi) collection practices. 	<ul style="list-style-type: none"> Implement the principles and regulations on consumer protection. 	<ul style="list-style-type: none"> Assess regulatory framework and revise regulations where needed. 	NBC
8. Financial leasing	<ul style="list-style-type: none"> Improve regulatory framework for financial institutions offering leasing credit. 			NBC
9. Money changers	<ul style="list-style-type: none"> Improve supervision of money changers. 			NBC
10. Installment services	<ul style="list-style-type: none"> Prepare mechanism and regulations to supervise installment services. 	<ul style="list-style-type: none"> Improve the implementation of regulation. Continue to strengthen supervision of installment services. 		NBC, MEF and other relevant agencies
11. Taxation in banking operations	<ul style="list-style-type: none"> Point out solutions to tax issues related to the implementation of prudential regulations. 	<ul style="list-style-type: none"> Draft regulations in taxation basis solely for banks and financial institutions. 		NBC and General Department of Taxation
POLICY: Financial Inclusion				
12. Financial inclusion (pending consultation with UNCDF)	<ul style="list-style-type: none"> Develop a National Strategy for Financial Inclusion. 	<ul style="list-style-type: none"> Adopt and implement the National Strategy for Financial Inclusion. 		Government Lead agency: NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
13. Credit Guarantee Scheme	<ul style="list-style-type: none"> Develop policy and seek counsel on the establishment of a credit guarantee scheme. 	<ul style="list-style-type: none"> Laws and regulations to implement the credit guarantee scheme 		MEF
Microfinance Institutions				
POLICY: National Microfinance Strategy				
14. Update national microfinance strategy	<ul style="list-style-type: none"> Adopt a new national microfinance strategy. 	<ul style="list-style-type: none"> Continue to implement microfinance strategy. 	<ul style="list-style-type: none"> Update microfinance strategy as needed. 	MEF NBC
POLICY: Market Conduct and Supervision				
15. Regulation of microfinance institutions	<ul style="list-style-type: none"> Regulation of microfinance institutions: Improve compliance with Basel Core Principles for Effective Banking Supervision of microfinance activities. 	<ul style="list-style-type: none"> Continue to enhance compliance with Basel Core Principles for Effective Banking Supervision of microfinance activities. 		NBC
16. Consumer protection	<ul style="list-style-type: none"> Strengthen consumer protection prioritizing (i) lending, (ii) advertising, (iii) complaints, (iv) fees, (v) interest rates, and (vi) collection practices. 	<ul style="list-style-type: none"> Implement the principles and regulations on consumer protection. 	<ul style="list-style-type: none"> Assess regulatory framework and revised regulations where needed. 	NBC
Interbank and Money Market				
POLICY: Encourage development of local currency financial markets				

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned		
17. Government securities	<ul style="list-style-type: none"> MEF GDFI to prepare operational procedures for government securities. 	<ul style="list-style-type: none"> MEF to consider issuance and public listing of government securities. 		MEF (lead agency)	NBC	SECC
	<ul style="list-style-type: none"> MEF to prepare government security issuing strategy. 					
	<ul style="list-style-type: none"> Enact regulations for issuance and trading of government securities. 					
Financial Leases						
POLICY: Enhance financial lease markets						
18. Align all laws for leased assets subject to finance	<ul style="list-style-type: none"> Amend Law on Secured Transactions to: (i) provide central registration of leased assets subject to finance, (ii) include registration of intangible assets, and (iii) clarify repossession of leased assets. (See legal section) 			MOC		
19. Prudential regulation for financial lease	<ul style="list-style-type: none"> Enhance prudential regulation for financial lease. 	<ul style="list-style-type: none"> Enhance supervision for financial lease. 		NBC		

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned	
Nonbanking Sector					
Capital Markets					
POLICY: Expanded Access to Services					
20. Performance of SOEs and the sale of equity securities	<ul style="list-style-type: none">Investigate establishing a department or company for management of SOEs and preparation for listing.Consider establishing a framework and policies to encourage SOEs to be listed.	<ul style="list-style-type: none">Continue promoting the listing of SOEs.Review governance and performance of SOEs and promote the listing of suitable SOEs.		MEF	SECC
				MEF	SECC
21. CIS and funds	<ul style="list-style-type: none">Promote creation and listing of CISs and ETFs to raise funds locally for local investments, and establish fund management for investing government social funds.	<ul style="list-style-type: none">Continue promoting the listing of CISs and establish and list one or more index or investment funds.	<ul style="list-style-type: none">Review the extent of local ETF investment and develop local investment opportunities and conduct a feasibility study for setting up the sovereign wealth fund.	MEF	SECC
					CSX
22. Securities lending and borrowing	<ul style="list-style-type: none">Consider the procedures to allow securities borrowing and lending and conduct a feasibility study on setting up a securities finance company to provide borrowing and lending facilities for the	<ul style="list-style-type: none">If feasible, develop systems and procedures for securities borrowing and lending mechanism.	<ul style="list-style-type: none">Facilitate the implementation of securities borrowing and lending facilities.	MEF joint lead agency	SECC Joint lead agency

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
	securities market.			
23. Commodities markets	<ul style="list-style-type: none"> Develop physical commodities markets. 	<ul style="list-style-type: none"> Develop the legal and regulatory framework for a commodities future exchange. 	<ul style="list-style-type: none"> Approve and commence operation of commodities future exchange. 	MEF SECC lead agency
24. Financial derivatives		<ul style="list-style-type: none"> Review the status of physical commodities markets and undertake studies on the demand for, and legal and regulatory framework for, an options and futures market. 	<ul style="list-style-type: none"> Extend the framework for financial derivatives to cover derivative markets and review permitting and establishing an options market for options and futures contracts. 	SECC
25. Disclosure documents and Investor Information	<ul style="list-style-type: none"> <u>Make SME listing easier:</u> Streamline regulations for facilitating SMEs listing. <u>Simple profiles:</u> Allow banks and SMEs to utilize a more simple profile instead of a full offering document. 	<ul style="list-style-type: none"> Apply new requirements and develop further policies to boost the growth of the market. 	<ul style="list-style-type: none"> Ongoing 	SECC
26. Crowdfunding development	<ul style="list-style-type: none"> Research and introduce a legal and regulatory framework for crowdfunding to support start-up entities Grant license to crowdfunding services and 	<ul style="list-style-type: none"> Review developments, demand, and market innovations relevant to crowdfunding operations and adjust regulation accordingly. Prepare regulations to 	<ul style="list-style-type: none"> Review the linkages between crowdfunding SMEs and public securities market and adjust regulations to support growth. 	SECC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned		
	platform.	strengthen the supervision of crowding funding platform and service providers				
27. Increase tax incentives for participation	<ul style="list-style-type: none"> Review the effectiveness of continuing tax and non-tax incentives, investigate additional tax incentives through the joint technical working group (MEF, SECC, and GDT), including tax policy for index and investment funds, and implement new policies. 			MEF	GDT	SECC
				SECC	GDT	
28. Promote financial institutions listing	<ul style="list-style-type: none"> Grant benefits to listed companies equivalent to those provided for QIPs. Review current, regulations and policies, identify and remove any impediments to listing financial institutions, promote the listing of financial institutions, and arrange for a listing. 	<ul style="list-style-type: none"> Continue promoting the listing of financial institutions. 		MEF	SECC	NBC
				MEF	SECC	
29. List significant financial institutions	<ul style="list-style-type: none"> Set policies and regulations related to significant financial institutions that are able to be listed to offer a 	<ul style="list-style-type: none"> Review the need for continuation of special requirements to list. 		MEF	SECC	NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned			
	proportion of equity for public subscription and listing.						
30. Make use of ACU initiatives	<ul style="list-style-type: none"> Encourage all listed companies to sign an MOU with ACU. 			SECC	ACU	MOC	Involved agencies
POLICY: Enhanced Stability and Confidence							
31. Promote financial literacy	<ul style="list-style-type: none"> Work with MoEYS on including financial literacy in the national education program. 	<ul style="list-style-type: none"> Update and implement investor education and public awareness programs based on feedback and market development or market needs. Enhance capacity for media disclosures in both Khmer and English languages and provision of public information using internet and social media. 	<ul style="list-style-type: none"> Participate in sector-wide financial literacy program. [See Capacity Building and Integration]. 	SECC			
32. Promotion of media education and awareness	<ul style="list-style-type: none"> Continue to conduct training on financial reports and the press concerning the securities business. 	<ul style="list-style-type: none"> Enhance capacity for media disclosures in both Khmer and English languages and provision of public information using internet and social media. 	<ul style="list-style-type: none"> Provide full media disclosures and responses on all relevant matters. 	SECC			
33. Accounting and auditing	<ul style="list-style-type: none"> Discuss with NAC about the improvement of KICPAA's oversight of accredited professional accounting firms providing services in the securities sector (See Accounting and 			SECC			

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned		
	Auditing)					
34. Conduct and disputes resolution	<ul style="list-style-type: none"> Complete work on revised conduct regulations and formal dispute procedures. 			SECC		
35. Improve inter-agency cooperation	<ul style="list-style-type: none"> Sign MOU on information sharing and cooperation on clearing and settlement systems. 	<ul style="list-style-type: none"> Continue to develop and strengthen partnerships and mutual cooperation with foreign regulatory organizations and securities exchanges. 		NBC	SECC	SECC
36. Capacity building and governance	<ul style="list-style-type: none"> Facilitate general and targeted training on governance. 			MEF	SECC	NBC
	<ul style="list-style-type: none"> Review the implementation of the <i>prakas</i> on corporate governance both for listed and non-listed companies including SMEs. 	<ul style="list-style-type: none"> Continue to develop and enhance the code of corporate governance based on urgent needs and best practices. 	<ul style="list-style-type: none"> Implement the ASEAN corporate governance scorecard for listed Cambodian companies. 	MEF	SECC	NBC
	<ul style="list-style-type: none"> Promote the application of corporate governance among non-listed companies including SMEs. 	<ul style="list-style-type: none"> Conduct an educational campaign on corporate governance for both listed and non-listed companies including SMEs, with emphasis on responsibilities of boards of directors, corporate secretaries, and management. 	<ul style="list-style-type: none"> Promote the use of the ASEAN corporate governance scorecard for non-listed Cambodian companies and Investigate and promote holding events or competitions to recognize companies with superior scorecard 	SECC		

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
37. Conduct feasibility study on IOSCO membership	<ul style="list-style-type: none"> Conduct feasibility study on IOSCO Core Principles compliance and IOSCO membership application. 	<ul style="list-style-type: none"> If possible, apply for IOSCO membership. 	rankings.	SECC
POLICY: Supporting Infrastructure				
38. Debt and derivative regulation	<ul style="list-style-type: none"> Establish and implement the legal and regulatory framework for debt securities and derivative services. 	<ul style="list-style-type: none"> Enhance the enforcement of regulations related to debt securities and derivative services. 	<ul style="list-style-type: none"> Review and update for any further actions required. 	SECC
39. CISs regulation and supervision	<ul style="list-style-type: none"> Develop and implement regulations for CISs operators and fund managers and license CIS operators. 	<ul style="list-style-type: none"> Enhance the enforcement of regulations related to CISs and review fund managers performance and programs for building fund management capacity. 	<ul style="list-style-type: none"> Review and update for any further actions required. 	SECC
40. Trust and investment operations under the Trust Law	<ul style="list-style-type: none"> Develop knowledge and capacity related to trust and investment operations. 	<ul style="list-style-type: none"> Ensure that trust and investment operation of NBFIs are based on the prudential risk management framework and appropriate guideline and procedures. 	<ul style="list-style-type: none"> Review and strengthen the supervisory system and legal document related to investment trusts. 	SECC
41. Enhance AML and CFT requirements	<ul style="list-style-type: none"> Work with CAFIU to include AML and CFT preventive measures in the nongovernment securities regulatory 			SECC CAFIU

Development Policy Area	Short-Term Target 2016–2019 framework.	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned			
Intermediaries and Professional Service Providers							
42. Regulating intermediaries and professional service providers	<ul style="list-style-type: none"> Establish qualifications and standards align with ASEAN requirements. 	<ul style="list-style-type: none"> Implement capacity building and professional development assistance. 	<ul style="list-style-type: none"> Continue capacity building and professional development 	MEF	SECC	NBC	MOC
	<ul style="list-style-type: none"> Develop policy for registration of trustees. 	<ul style="list-style-type: none"> Register trustees 		MEF	SECC		
Insurance							
POLICY: Sound Regulatory Environment							
43. New <i>anukrets</i> and <i>prakas</i> to support the Insurance Law	<ul style="list-style-type: none"> Draft and implement <i>anukrets</i> and <i>prakas</i> for insurance and microinsurance. 	<ul style="list-style-type: none"> Review <i>anukrets</i> and <i>prakas</i> for relevance. 	<ul style="list-style-type: none"> Continue to review and update <i>prakas</i> implemented for their relevance to current market practices. 	MEF			
			<ul style="list-style-type: none"> Continue to develop new <i>prakas</i> and implement as required. 				
44. Ensure compliance with ICPs	<ul style="list-style-type: none"> Undertake study of ICP requirements. 	<ul style="list-style-type: none"> Undertake assessment of compliance with ICP requirements. 	<ul style="list-style-type: none"> Continue ICP periodic assessments. 	MEF			
		<ul style="list-style-type: none"> Reconsider joining as member of IAIS. 					
45. Meet AML and CFT requirements	<ul style="list-style-type: none"> Undertake AML and CFT training for staff and assist CAFIU with monitoring 	<ul style="list-style-type: none"> Coordinate with insurance companies compliance with AML and CFT 		MEF			

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
	compliance.	requirements		
46. Compulsory insurance products	<ul style="list-style-type: none"> Implement <i>prakas</i> for third-party insurance schemes. 	<ul style="list-style-type: none"> Implement supervision for compulsory insurance. 	<ul style="list-style-type: none"> Enforce practices on compulsory insurance. 	MEF
POLICY: Improved market conduct and consumer protection				
47. Future strategies and plans: Strengthen insurance industry by improving competition and market conduct, and protecting consumers and creditors.	<ul style="list-style-type: none"> Implement relevant <i>prakas</i> on market conduct and consumer protection. 	<ul style="list-style-type: none"> Continue publicity on market conduct and consumer protection. 	<ul style="list-style-type: none"> Review the <i>prakas</i> on market conduct and consumer protection 	MEF
	<ul style="list-style-type: none"> Review risk-based supervision for insurance sector and develop implementation plan. 	<ul style="list-style-type: none"> Implement risk-based supervision. 	<ul style="list-style-type: none"> Review effectiveness of risk-based supervision. 	MEF
	<ul style="list-style-type: none"> Upgrade technical and supervision skills of IPD staff: Implement capacity building plan. 	<ul style="list-style-type: none"> Continue capacity building for IPD staff. 	<ul style="list-style-type: none"> Monitor capacity building programs. 	MEF
		<ul style="list-style-type: none"> Implement early warning system to monitor insurers. 	<ul style="list-style-type: none"> Implement further automation of system. 	
	<ul style="list-style-type: none"> Implement insurance publicity programs to increase consumers' knowledge. 	<ul style="list-style-type: none"> Continue insurance education programs. 	<ul style="list-style-type: none"> MEF to integrate into financial inclusion programs. 	MEF
	<ul style="list-style-type: none"> Review innovative access for rural communities. 	<ul style="list-style-type: none"> Develop distribution channels using technology. 	<ul style="list-style-type: none"> Review effectiveness of new distribution channels. 	MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
POLICY: Insurance Commission				
48. Establish IPD as an Insurance Commission.	<ul style="list-style-type: none"> Develop and implement plan to upgrade IPD to an Insurance Commission. 	<ul style="list-style-type: none"> Operate the new Insurance Commission. 		MEF
Pensions				
POLICY: Sound Regulatory Environment				
49. Policy and legal framework for social protection programs	<ul style="list-style-type: none"> Produce policy framework for social protection. 			MEF
	<ul style="list-style-type: none"> Develop draft Social Protection Law and/or Code and Pension Law. 	<ul style="list-style-type: none"> Enact Social Protection Law and Private Voluntary Pension Law. 	<ul style="list-style-type: none"> Continue implementing Social Protection Law and Pension Law. 	MOL
	<ul style="list-style-type: none"> Develop supervision processes and policies on pension funds. 	<ul style="list-style-type: none"> Implement supervision processes and policies on pension funds. 		MOSWY
50. Policy on structure of pension funds	<ul style="list-style-type: none"> Move from non-contributory defined benefit to contributory defined benefit. Study transition from current defined benefit to defined contribution scheme. 	<ul style="list-style-type: none"> Set up specific plan and transition period, if transition needs to be made. 		MEF
51. Improve administration and management of pension	<ul style="list-style-type: none"> Integrate administration and management of NFV, NSSF, NSSFC, and PWDF. 			MOL
	<ul style="list-style-type: none"> Study the possibility to establish an institution to 			MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned			
				MEF	MOL	MOSVY	
52. Introduce publicly managed pension scheme	govern all pension funds.						
	<ul style="list-style-type: none"> Launch mandatory pension scheme for private formal sector. Study introduction of pension scheme for nonpoor informal sector. 	<ul style="list-style-type: none"> Introduce voluntary pension scheme for nonpoor informal sector. 	<ul style="list-style-type: none"> Launch mandatory pension scheme for nonpoor formal sector. 	MEF	MOL	MOSVY	
53. Introduce privately managed pension scheme	<ul style="list-style-type: none"> Develop policy and grant licenses to private operators for privately managed pension schemes. 				MEF		
54. Build ICT support	<ul style="list-style-type: none"> Develop required ICT systems needed to support pension funds. Study linking ICT system for social protection to national ID and ID-poor systems. 	<ul style="list-style-type: none"> Implement ICT system and support functions 		MEF	MOI	MOP	MOL
55. Investment options for pension funds	<ul style="list-style-type: none"> Develop investment options and policies for funds. 	<ul style="list-style-type: none"> Review investment policies and strategies. 		MEF		SECC	
56. Capacity building for social protection programs	<ul style="list-style-type: none"> Develop capacity building plan for social protection programs. 	<ul style="list-style-type: none"> Implement capacity-building plan together with specialized skills training. 	<ul style="list-style-type: none"> Enhance training courses for specialized skills. 		MEF		
57. Raise public awareness on social protection	<ul style="list-style-type: none"> Develop and implement communication plan to raise public awareness of 	<ul style="list-style-type: none"> Enhance communications on benefits and features 	<ul style="list-style-type: none"> Continue enhancing communications on benefits and features of 	MEF	MOL	MOSVY	MOEYS

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
programs	the benefits of social protection programs.	of protection programs.	protection programs.	
Real Estate Development and Property Valuation Services				
58. Prepare and implement new real estate laws and regulations	<ul style="list-style-type: none"> Submit Draft law on Real Estate Development to council of ministers. 	<ul style="list-style-type: none"> Adopt a new Law on Real Estate Development. 	<ul style="list-style-type: none"> Continue review of any gaps in law and regulation and update. 	MEF
	<ul style="list-style-type: none"> Revise and adopt <i>Prakas</i> 1222 on Real Estate Development. 	<ul style="list-style-type: none"> Prepare sub-decree and other regulations to implement the new law. 		MEF
	<ul style="list-style-type: none"> Draft Law on Real Estate, Valuations, Estate Agents, and Property Management services. 	<ul style="list-style-type: none"> Enact Law on Real Estate, Valuations, Estate Agents, and Property Management services. 		MEF
	<ul style="list-style-type: none"> Revise and adopt <i>Prakas</i> 142 on Real Estate, Valuations, Estate Agents, and Property Management services. 			MEF
	<ul style="list-style-type: none"> Draft code of professional ethics for valuation and real estate service providers. 	<ul style="list-style-type: none"> Review code of professional ethics for valuation and real estate service providers. 		MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
59. Market supervisory framework	<ul style="list-style-type: none"> Draft Cambodia Valuation Standards 	<ul style="list-style-type: none"> Review Cambodia's Valuation Standards to comply with regional and international standards, following the ASEAN Standards of Valuation and Standard Valuation International Valuation Standards Council (IVSC). 		
	<ul style="list-style-type: none"> Establish process for managing strata title owners. 		<ul style="list-style-type: none"> Set up mechanism for qualify estate agent, valuers, and property manager examination 	MEF
	<ul style="list-style-type: none"> Strengthen regulatory enforcement of licensees and unlicensed operators by conducting on-site and off-site inspections. 	<ul style="list-style-type: none"> Ongoing strengthening of enforcement of the law and regulation of licensees and unlicensed operators 	<ul style="list-style-type: none"> Ongoing strengthening of enforcement of the law and regulation of licensees and unlicensed operators 	MEF
60. Capacity building	<ul style="list-style-type: none"> Collect data and conduct trend analysis and market surveillance. 	<ul style="list-style-type: none"> Develop database management system for licensee directory. 	<ul style="list-style-type: none"> Review analysis and use of data 	MEF
	<ul style="list-style-type: none"> Cooperate with CAFIU on AML/CFT. 	<ul style="list-style-type: none"> Ongoing cooperation with CAFIU on AML and CFT 	<ul style="list-style-type: none"> Ongoing cooperation with CAFIU on AML and CFT 	MEF
	<ul style="list-style-type: none"> Raising awareness of developers and real estate, valuation, and property management service providers, market 	<ul style="list-style-type: none"> Ongoing awareness raising 	<ul style="list-style-type: none"> Continue awareness raising. 	MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
	participants, and public to strengthen regulatory enforcement.			
	<ul style="list-style-type: none"> Strengthening the capacity of the regulator through national and international programs. 	<ul style="list-style-type: none"> Ongoing capacity building for regulator by training, seminars or study visits 	<ul style="list-style-type: none"> Ongoing capacity building for regulator through training, seminars or study visits 	MEF
		<ul style="list-style-type: none"> Set up standardized examination framework for real estate, valuation, and property management service providers through cooperation with association or local training providers. 	<ul style="list-style-type: none"> Set up and introduce CPD for real estate, valuation, and property management service providers. 	MEF
Pawn Shops				
61. Development of the legal framework for pawnshop, auction, and second hand goods dealers	<ul style="list-style-type: none"> Draft law on pawn business and transfer of title for submission to council of ministers. 	<ul style="list-style-type: none"> Enact the law and issue regulations to implement. 		MEF
		<ul style="list-style-type: none"> Draft regulations on auctions. 	<ul style="list-style-type: none"> Adopt regulation on auctions. 	MEF
	<ul style="list-style-type: none"> Update <i>prakas</i> for pawn business and transfer of title for issue 		<ul style="list-style-type: none"> Draft and adopt the regulation on second hand goods dealers. 	MEF
				MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
62. Market supervisory framework	<ul style="list-style-type: none"> Prepare and adopt regulation of code of professional ethics for licensees. 	<ul style="list-style-type: none"> Establish an ICT system to process the data and information needed to supervise pawnshop sector and provide an early warning system. 	<ul style="list-style-type: none"> Fully implement the proposed ICT system through training programs for the regulator, market operators, and concerned authorities. 	MEF
		<ul style="list-style-type: none"> Introduce computer-based operation for pawnshop sector. 		MEF
	<ul style="list-style-type: none"> Strengthen the enforcement of the regulation of pawn market operators through on- site and off-site inspections. 	<ul style="list-style-type: none"> Ongoing regulatory enforcement 	<ul style="list-style-type: none"> Ongoing regulatory enforcement 	MEF
	<ul style="list-style-type: none"> Cooperate with joint committee on combating casino, lottery, football, online gambling, and other forms of illegal gambling to bring the illegal pawn businesses into law. 	<ul style="list-style-type: none"> Examine areas of cooperation with Cambodian Pawnbroker and Transfer of Title Association for the benefit of the sector. 	<ul style="list-style-type: none"> Strengthen and enforce the regulation on pawn, auction, and second hand goods dealer regulations. 	MEF
			<ul style="list-style-type: none"> Increase market transparency and the level of consumer protection on pawn, auction, and second hand goods dealers. 	MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
63. AML and CFT	<ul style="list-style-type: none"> Cooperate with CAFIU on AML and CFT. 	<ul style="list-style-type: none"> Ongoing cooperation with CAFIU on AML and CFT 	<ul style="list-style-type: none"> Ongoing cooperation with CAFIU 	MEF
64. Capacity building	<ul style="list-style-type: none"> Improve staff capacity on regulations on pawn business, auction business, and second hand goods dealership business through overseas study tour and training. 	<ul style="list-style-type: none"> Review and upgrade the capacity-building plan for both regulator and market operators to ensure the best implementation for pawn business, auction business, and second hand goods dealership business. 	<ul style="list-style-type: none"> Review and upgrade the capacity-building plan for both regulator and market operators to ensure the best implementation for pawn business, auction business, and second hand goods dealership business. 	MEF
	<ul style="list-style-type: none"> Raise public awareness by conducting a series of training programs for market operators and public. 	<ul style="list-style-type: none"> Ongoing training for market operators and public awareness. 	<ul style="list-style-type: none"> Ongoing training for market operators and public awareness 	MEF

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
Support Infrastructure				
AML and CFT				
65. Second mutual evaluation	<ul style="list-style-type: none"> Follow-up on mutual evaluation findings and corrective action plan. 	<ul style="list-style-type: none"> Undertake self-assessment of compliance with FATF standards. 	<ul style="list-style-type: none"> Sustain effectiveness of AML and CFT mechanisms 	CAFIU, MEF, MOI, MOFA, NCC, RE supervisors, ACU
66. Follow up on money laundering and terrorist financing risks	<ul style="list-style-type: none"> Complete national risk assessment for money laundering and terrorist financing. 	<ul style="list-style-type: none"> Money laundering and terrorist financing risk assessments by wider range of REs. 	<ul style="list-style-type: none"> Monitor evolving money laundering and terrorist financing risks. 	CAFIU, EWG, NCC, RE supervisors, ACU
67. Strengthen capacity of CAFIU	<ul style="list-style-type: none"> Conclude the upgrading and alignment of CAFIU. 		<ul style="list-style-type: none"> Review and strengthen structure and functions. 	NBC, CAFIU
	<ul style="list-style-type: none"> Strengthen STR and CTR analytical functions. 	<ul style="list-style-type: none"> Review outcome of reports submitted to LEA. 	<ul style="list-style-type: none"> Ongoing 	CAFIU, LEA, MOI, MOJ, NBC
68. AML and CFT laws and supporting regulations	<ul style="list-style-type: none"> Review and amend AML and CFT laws and/or regulations where needed. 	<ul style="list-style-type: none"> With REs supervisors review AML guidelines. 	<ul style="list-style-type: none"> Ongoing 	CAFIU, MOI, RE Supervisors
69. Strengthen domestic among stakeholders cooperation	<ul style="list-style-type: none"> Expand coverage of the AML and CFT framework beyond banking sector and to include DNFBPs. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	CAFIU, MEF, MOI, MOFA, MOI, Bar Assoc., MOC
70. Strengthen international cooperation	<ul style="list-style-type: none"> Widen international cooperative arrangement. 	<ul style="list-style-type: none"> Continue to widen international cooperative arrangement. 	<ul style="list-style-type: none"> Ongoing 	CAFIU
71. Pursue money laundering and terrorist	<ul style="list-style-type: none"> Strengthen LEA and judiciary authorities in 	<ul style="list-style-type: none"> Evaluate effectiveness of LEA and judiciary 		LEA, MOI,

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
financing crimes	pursuing money laundering and terrorist financing crimes.	authorities.		CAFIU
72. Enhance RE supervisors staff and institutional capacities	<ul style="list-style-type: none"> Seek assistance in building capacity of regulators in AML and CFT supervision. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	CAFIU, REs supervisors
73. Improve money laundering and terrorist financing data collection	<ul style="list-style-type: none"> Review and improve statistical information on money laundering and terrorist financing activities. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	CAFIU, REs supervisors
74. Raise awareness on AML and CFT issues	<ul style="list-style-type: none"> Prepare awareness raising programs. 	<ul style="list-style-type: none"> Widen AML and CFT awareness raising programs 	<ul style="list-style-type: none"> Improve dissemination of reports on money laundering and terrorist financing and risk mitigation. 	CAFIU, REs supervisors
Governance				
75. Awareness and understanding	<ul style="list-style-type: none"> Hold workshops and training sessions on Governance. 	<ul style="list-style-type: none"> Review impact of workshops and training. 	<ul style="list-style-type: none"> Ongoing 	MEF, Governance Subcommittee, SECC
	<ul style="list-style-type: none"> Establish private Institute of Directors. 			MEF, SECC
	<ul style="list-style-type: none"> Encourage improved business reporting. 	<ul style="list-style-type: none"> Promote corporate governance and reporting. 	<ul style="list-style-type: none"> ASEAN Governance Scorecard assessment. 	SECC, NAC
76. Governance training for board of directors and senior management	<ul style="list-style-type: none"> Establish policy on formal corporate governance training requirements. 	<ul style="list-style-type: none"> Provide necessary training on governance for banks and financial institutions. 	<ul style="list-style-type: none"> Ongoing 	NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
77. Trustee training	<ul style="list-style-type: none"> Training on governance for trustees and officials 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	MEF
Market Conduct and Consumer Protection				
78. Standards of disclosure and conduct and codes of conduct	<ul style="list-style-type: none"> Establish standards and codes of conduct for all financial sector participants 			NBC MOC SECC
79. Consumer education	<ul style="list-style-type: none"> Conduct awareness and financial literacy events for all financial services users 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	NBC MOC SECC
Accounting and Auditing				
POLICY: Implement International Financial Reporting Standards				
80. General Transition to CIFRS	<ul style="list-style-type: none"> NAC to determine need for additional transition time. 			NAC MOC
81. CIFRS transition strategy	<ul style="list-style-type: none"> Develop transition strategy for financial institutions and insurance companies. 			NBC NAC MEF
82. Taxation issues on CIFRS implementation	<ul style="list-style-type: none"> Taxation department to decide on treatment from implementation of CIFRS 			MEF
83. Capacity to produce financial statements under CIFRS	<ul style="list-style-type: none"> Training for banks, MFIs and others on converting to a CIFRS reporting framework. 	<ul style="list-style-type: none"> Continue training in CIFRS 	<ul style="list-style-type: none"> Continue training in CIFRS 	NAC, NBC, KICPAA, MOC, SECC
84. NBC's capacity to monitor reports	<ul style="list-style-type: none"> Training for NBC regulatory staff on CIFRS 	<ul style="list-style-type: none"> Continue training in analysis and interpretation 	<ul style="list-style-type: none"> Continue training on financial reports 	NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
produced under CIFRS	implications of financial reports	of financial reports	prepared under CIFRS	
85. National CPA qualification program	<ul style="list-style-type: none"> Implement national CPA qualification program. 	<ul style="list-style-type: none"> Continue national CPA qualification Program 	<ul style="list-style-type: none"> Continue national CPA qualification Program 	NAC, KICPAA
86. Transitional CIFRS training	<ul style="list-style-type: none"> Provide additional training to CPA students on more complex aspects of CIFRS. Finalize accounting and auditing lexicon on technical terminologies. 	<ul style="list-style-type: none"> Implement strategic skills training plan. Continue updating lexicon as necessary 	<ul style="list-style-type: none"> Update accounting and auditing sections of training plan. Continue updating lexicon as necessary 	NAC, KICPAA
POLICY: Improve Business Compliance				
87. Monitor compliance	<ul style="list-style-type: none"> Develop management and statistical information system to monitor compliance with business registration. Strengthen human resources and technical capacity of NAC staff. Consider use of MOC's online registration system to assess tax reporting. 	<ul style="list-style-type: none"> Continue monitoring of compliance output of information reports to government Review compliance with financial reporting requirements. Implement system of reviews of compliance with the Law on taxation. 	<ul style="list-style-type: none"> Ongoing Ongoing Ongoing 	MOC
88. Understanding taxation	<ul style="list-style-type: none"> Establish working group to discuss taxation issues. 	<ul style="list-style-type: none"> Publish findings of working group. 	<ul style="list-style-type: none"> Ongoing 	MEF
89. Monitoring audit quality for auditing firms and auditors	<ul style="list-style-type: none"> Improve the monitoring of the quality of audits. 	<ul style="list-style-type: none"> Continue audit quality reviews 	<ul style="list-style-type: none"> Continue audit quality reviews 	NAC, KICPAA

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
Legal and Regulatory				
POLICY: Update existing Commercial Laws				
90. Laws on Secured Transactions	<ul style="list-style-type: none"> Amend Law on Secured Transactions to address lease issues and registration of security interests for immoveable and intangible assets. 			MOC
91. Law on Commercial Enterprises	<ul style="list-style-type: none"> Amend law to allow online registration processes, access, and privacy issues. 			MOC
92. Law on Commercial Rules and Registration	<ul style="list-style-type: none"> Amend law to include the registration and regulation of sole proprietorships. 			MOC
POLICY: Enact and Implement new commercial Laws				
93. Trust Law	<ul style="list-style-type: none"> Enactment of comprehensive Trust Law 			MEF
	<ul style="list-style-type: none"> Issue <i>prakas</i> to implement Trust Law for Securities Market. 			SECC
	<ul style="list-style-type: none"> Establish a trust registry system and review on using MOC online company registration system. 			MEF MOC
	<ul style="list-style-type: none"> Issue regulations under the Trust Law to connect the 	<ul style="list-style-type: none"> Enable interconnection between credit bureau 		MEF NBC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
94. E-commerce law	credit bureau to the trust registration system.	and trust registration system.		
	<ul style="list-style-type: none"> Finalize law and draft implementing <i>anukret</i>. 			MOC
	<ul style="list-style-type: none"> Conduct training on implementing law. 			MOC
POLICY: Finalize Consumer Protection and Market Conduct Laws and Regulations				
95. Consumer Protection Law	<ul style="list-style-type: none"> Enact law to establish consumer protection agency. 			MOC
	<ul style="list-style-type: none"> Issue <i>prakas</i> for insurance, pension, and real estate sectors on disclosure standards. 			MEF
96. Competition Law	<ul style="list-style-type: none"> Enact law and <i>anukret</i> for competition agency. 			MOC
	<ul style="list-style-type: none"> Develop and run awareness campaigns. 			MOC
97. Enact new Law on Consumer Rights	<ul style="list-style-type: none"> Draft new Consumer Rights Law and <i>anukret</i> and <i>prakas</i> to address post contract rights and duties. 			MOC
POLICY: Enact and Implement outstanding commercial laws for WTO accession				
98. Commercial chamber of new court	<ul style="list-style-type: none"> Prepare <i>anukret</i> and training to establish independent commercial chamber 			Moj
				MOC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
99. Law on Agency		<ul style="list-style-type: none"> Draft law on agency 		MOC
100. Trade Secrets and Undisclosed Information Law		<ul style="list-style-type: none"> Draft law and <i>anukrets</i> and <i>prakas</i>. 		MOC
101. Franchising and Licensing Law	<ul style="list-style-type: none"> Study other countries experience in financing model of intellectual property. Public awareness, develop policy and draft law on franchising and licensing. 			MOC
102. Law concerning Marks, Trade Names, and Acts of Unfair Competition of the Kingdom of Cambodia		<ul style="list-style-type: none"> Amend the Law concerning Marks, Trade Names, and Acts of Unfair Competition of the Kingdom of Cambodia by including related regulations and certification marks. 		MOC
103. Sub-decree on implementing Law concerning Marks, Trade Names, and Acts of Unfair Competition of the Kingdom of Cambodia	<ul style="list-style-type: none"> 		<ul style="list-style-type: none"> Amend the sub-decree on implementing the law concerning Marks, Trade Names and Acts of Unfair Competition of the Kingdom of Cambodia by including related regulations and certification marks. 	MOC

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
Systems and Standards				
104. Support for implementation	<ul style="list-style-type: none"> Strengthen supervision and oversight of payment system as well as payment services. 			NBC
105. Self-assessment		<ul style="list-style-type: none"> Conduct self-assessment using Principle for Financial Market Infrastructure. 		NBC
106. ASEAN interconnection and standards	<ul style="list-style-type: none"> Review interconnection for ASEAN linkages. 		<ul style="list-style-type: none"> Connection to APN 	NBC
107. RTGS implementation	<ul style="list-style-type: none"> Approve RTGS, interbank settlements, and HVPS. 	<ul style="list-style-type: none"> Implement settlements for HVPS 		NBC
Capacity Building				
108. Sector-wide training needs and strategic skills training plan	<ul style="list-style-type: none"> Undertake financial sector training needs assessment for all sectors. 			MEF, NBC, NAC, MOC, SECC
	<ul style="list-style-type: none"> Prepare five-year strategic skills training plan. 	<ul style="list-style-type: none"> Implement strategic skills training plan 	<ul style="list-style-type: none"> Update strategic skills training plan 	
109. Financial literacy in the education system	<ul style="list-style-type: none"> Work with MOEYS on education curriculums and quality of teaching to produce graduates better qualified for financial sector work. 	<ul style="list-style-type: none"> Continue to work with MOEYS 	<ul style="list-style-type: none"> Continue to work with MOEYS 	MEF, NBC, NAC, MOC, SECC
	<ul style="list-style-type: none"> Improve industry bodies 	<ul style="list-style-type: none"> Continue to work with 	<ul style="list-style-type: none"> Continue to work with 	

Development Policy Area	Short-Term Target 2016–2019	Medium-Term Target 2019–2022	Long-Term Target 2022–2025	Agencies Concerned
	and regulators liaising with the education sector on workforce skills requirements.	education sector	education sector	

ACU = Anti-Corruption Unit; AML = anti-money laundering; APN = Asia Payment Network; ASEAN = Association of Southeast Asian Nations; CAFIU = Cambodian Financial Intelligence Unit; CFT = combating the financing of terrorism; CIFRS = Cambodian International Financial Reporting Standards; CIS = collective investment scheme; CPA = certified public accountant; CPD = continuing professional development; CSX = Cambodia Securities Exchange; CTR = cash transaction report; ETF = exchange traded fund; EWG = Expert Working Group; FATF = Financial Action Task Force on Money Laundering; GDPI = General Department of Financial Industry; GDT = General Department of Taxation; HVPS = high-value payment system; IAS = International Association of Insurance Supervisors; ICT = information and communication technology; IOSCO = International Organization of Securities Commissions; IPD = Insurance and Pension Department; IVSC = International Valuation Standards Council; KICPAA = Kampuchea Institute of Certified Public Accountants and Auditors; LEA = Law Enforcement Agencies; MEF = Ministry of Economy and Finance; MFI = microfinance institution; MLMUPC = Ministry of Land Management, Urban Planning, and Construction; MOC = Ministry of Commerce; MOEYS = Ministry of Education, Youth, and Sport; MOFA = Ministry of Foreign Affairs; MOI = Ministry of Interior; Ministry of Justice; MOL = Ministry of Labor; MOSVY = Ministry of Social Affairs, Veterans, and Youth Administration; MOU = memorandum of understanding; NAC = National Accounting Council; NBC = National Bank of Cambodia; NBFI = nonbank financial institution; NCC = National Coordination Committee; MOU = memorandum of understanding; NAC = National Social Security Fund; NSSFC = National Social Security Fund for Civil Servants; QIP = qualified investment project; RTGS = real-time gross settlements; SECC = Securities and Exchange Commission of Cambodia; SME = small and medium-sized enterprise; SOE = state-owned enterprise; STR = suspicious transaction report; UNCDF = United Nations Capital Development Fund; WTO = World Trade Organization.

Source: Cambodia Financial Sector Development Strategy 2016–2025.

Appendix 2

Composition of the Committee on Economic and Financial Policy, the Steering Committee, and the Technical Working Group for Implementing the Financial Sector Development Strategy 2016–2025

Committee on Economic and Financial Policy

1. Aun Porn Moniroth	Senior Minister, Minister of Economy and Finance	Chair
2. Chea Chanto	Governor, National Bank of Cambodia	Vice-Chair
3. Chhay Than	Senior Minister, Minister of Planning	Member
4. Cham Prasidh	Senior Minister, Minister of Industry and Handicraft	Member
5. Sun Chanthol	Senior Minister, Minister of Public Work and Transport	Member
6. Chea Sophara	Senior Minister, Minister of Land Management, Urban Planning and Construction	Member
7. Lim Kean Hor	Minister of Water Resource Management and Meteorology	Member
8. Tram Iv Tek	Minister of Posts and Telecommunications	Member
9. Thong Khon	Minister of Tourism	Member
10. Suy Sem	Minister of Mine and Energy	Member
11. Veng Sakhon	Minister of Agriculture, Forestry And Fisheries	Member
12. Pan Sorasak	Minister of Commerce	Member
13. Sok Chenda Sophea	Minister attached to the Prime Minister, Secretary General of the Council for the Development of Cambodia	Member
14. Hing Thoraxy	Secretary of State of Council of Ministers	Member
15. Vonsey Vissoth	Secretary of State, Ministry of Economy And Finance	Member
16. Hean Sahib	Permanent Vice-Chair, Supreme National Economic Council	Member

Steering Committee for Implementing the Financial Sector Development Strategy 2016–2025

1. Chea Chanto	Governor, National Bank of Cambodia	Chair
2. Nguon Sokha	Secretary of State, Ministry of Economy And Finance	Permanent Vice-Chair
3. Neav Chanthana	Deputy Governor, National Bank of Cambodia	Standing Vice Chair
4. Ok Boun	Secretary of State, Ministry of Commerce	Member
5. Sarak Khan	Secretary of State, Ministry of Posts and Telecommunications	Member
6. Soy Siphon	Secretary of State, Ministry of Social Affairs, Veterans and Youth Rehabilitation	Member
7. Ros Seilava	Deputy Secretary of State, Ministry of Economy and Finance	Member
8. Mey Vann	Director General of General Department of Financial Industry, Ministry of Economy and Finance	Member
9. Sou Socheat	Director General, Securities and Exchange Commission of Cambodia	Member
10. Sum Sannisith	Secretary General, National Bank of Cambodia	Secretary

Technical Working Group for Implementing the Financial Sector Development Strategy 2016–2025

1. Sum Sannisith	Secretary General, National Bank of Cambodia	Chair
2. Mey Vann	Director General of General Department of Financial Industry, Ministry of Economy and Finance	Vice-Chair
3. Chea Serey	Director General, National Bank of Cambodia	Permanent Vice-Chair
4. Kim Vada	Director General of Supervision Department, National Bank of Cambodia	Member
5. Say Samath	Secretary General, Cambodian Financial Intelligence Unit	Member
6. Sok Dara	Deputy Director, Securities and Exchange Commission of Cambodia	Member
7. Chou Vannak	Deputy Director General of General Department of Financial Industry, Ministry of Economy and Finance	Member
8. Bou Chanphirou	Deputy Director General of General Department of Financial Industry, Ministry of Economy and Finance	Member

9. Ros Phirun	Deputy Director General of General Department of Financial Industry, Ministry of Economy and Finance	Member
10. Tep Buntha	Deputy Director of Administration, Ministry of Posts and Telecommunications	Member
11. Thai Saphear	Deputy Secretary General, National Bank of Cambodia	Member
12. Rath Sovannorak	Deputy Director General of Supervision Department, National Bank of Cambodia	Member
13. Kimty Kormoly	Deputy Director General, National Bank of Cambodia	Member
14. Nget Sovannarith	Director of Off-Site Supervision Department, National Bank of Cambodia	Member
15. Khou Vouthy	Director of Economic Research and International Cooperation Department, National Bank of Cambodia	Member
16. Ouk Sarat	Director of Payment and Clearing System Department, National Bank of Cambodia	Member
17. Ney Sakal	Director of Financial Market and Institution Department, Ministry of Economy and Finance	Member
18. Nong Piseth	Director of Real Estate Business and Pawnshop Department, Ministry of Economy and Finance	Member
19. Chhay Ratanak	Director of Insurance and Pension Department, Ministry of Economy and Finance	Member
20. Sim Sokkheng	Director of Intellectual Property Department, Ministry of Commerce	Member
21. Lay Plouk	Director of Planning and Finance Department, Ministry of Posts and Telecommunications	Member
22. Sao Len	Director of Finance and Supply Department, Ministry of Social Affairs, Veterans and Youth Rehabilitation	Member
23. So Polen	Director of Securities Market Supervision Department, Securities and Exchange Commission of Cambodia	Member
24. Vin Pheakdey	Director of Securities Intermediaries Supervision Department, Securities and Exchange Commission of Cambodia	Member
25. Sok Sokunchivy	Acting Head of Legal Affairs Department, Securities and Exchange Commission of Cambodia	Member
26. Nean Bony	Acting Head of Securities Issuance Department, Securities and Exchange Commission of Cambodia	Member
27. Sun Naly	Deputy Director of Cooperation and Debt Management Department, Ministry of Economy and Finance	Member

28. Bou Tharin	Deputy Secretary General of National Accounting Council, Ministry of Economy and Finance	Member
29. Meng Channarith	Head of Monetary Policy Division, National Bank of Cambodia	Member and Secretary

ADB Mission Team

1. Hiroyuki Aoki	Senior Financial Sector Specialist	Mission Leader
2. Steve Schuster	Principal Financial Sector Specialist	Co-Mission Leader
3. Haidy Ear-Dupuy	Social Development Specialist	Member
4. Uzma Hoque	Senior Social Development Specialist	Member
5. Kelly Hatel	Financial Sector Specialist	Member
6. Mia Hyun	Social Development Specialist	Member
7. Samphors Khieu	Economics Officer	Member
8. Patricia Rhee	Senior Counsel	Member
9. Karen May Sanchez	Operations Assistant	Member
10. Evelyn Talja	Associate Project Officer	Member
11. Arup Chatterjee	Principal Financial Sector Specialist	Member

ADB Technical Assistance Consultant Team

12. Peter Knoll	Microfinance and Banking Expert	Team Leader
13. Russell Leith	Insurance and Pension Fund Expert	Member
14. Shaan Stevens	Legal Expert	Member
15. Bill Foster	Capital Market Expert	Member
16. Chee Sung Lee	AML CFT Expert	Member
17. Des Crance	Information, Education and Communication Expert	Member

