

KINGDOM OF CAMBODIA
NATIONAL RELIGION KING



NATIONAL BANK OF CAMBODIA
Number B7. 07 – 132 Prokor

Unofficial Translation

PRAKAS
on
The calculation of Microfinance Institutions' Net Worth

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Kram NS/RKM/0196/27, dated January 26, 1996, promulgating the Law on the Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
- With reference to the Royal Decree NS/RKT/0904/244 of September 7, 2004, on the appointment of His Excellency **Chea Chanto** as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- Pursuant to the recommendation made by National Bank of Cambodia management during the August 15, 2007, meeting.

DECIDES

Article 1

Microfinance Institutions' net worth shall be calculated as follows:

I- Sub-total A : Items to be added

- capital or endowment
- reserve, other than revaluation reserves
- premium related to capital (share premiums)
- provision for general banking risks, with the prior agreement of the National Bank of Cambodia
- retained earnings

- audited net profit for the last financial year ⁽¹⁾
- other items approved by the National Bank of Cambodia ⁽²⁾

II- Sub-total B : Items to be deducted

- for shareholders, directors, managers and their next of kin
 - unpaid portion of capital
 - advances, loans, security and the agreement of the persons concerned as defined above
- holding of own shares at their book value
- accumulated losses
- formation expenses
- losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)

III- Total C : BASE NET WORTH = A - B

IV- Sub-total D : Items to be added

- revaluation reserves, with the prior agreement of the National Bank of Cambodia
- subordinated debt, with the prior agreement of the National Bank of Cambodia, up to 100% of base net worth
- other items, with the prior agreement of the National Bank of Cambodia, could be included in the calculation of net worth and shall not be more than base net worth ⁽³⁾

V- Sub-total E : Items to be deducted

- equity participation in banking and financial institutions
- other items ⁽⁴⁾

VI- Total F : TOTAL NET WORTH = C + D - E

¹ After deduction of dividend to be distributed.

² For example, profit as recorded on dates other than the end of the annual accounting period.

Provided that:

- they are determined after posting to the accounts all the charges relating to the period and allowances to the depreciation, provision and value adjustment accounts;
- they are calculated net of foreseeable taxes and **dividend** and have been verified by the auditors.

³ The following may in particular appear among these items :

- fully mutualized guarantee funds;
- public funds allocated for guaranteeing types of credit operations;
- nonrepayable public or private subsidies;
- donated capital.

⁴ Deferred charges, for example.

Article 2

The net worth as calculated above shall be taken into account in calculating prudential ratios and other ratios.

Article 3

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 4

All provisions contrary to those of this Prakas are hereby repealed.

Article 5

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall take effect from this signing date.

Phnom Penh, August 27, 2007

The Governor
Signed and Sealed

- cc: - All members of the Board of Directors
- The parties concerned as stated in Article 5
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KINGDOM OF CAMBODIA
NATIONAL RELIGION KING



NATIONAL BANK OF CAMBODIA
Number B7. 07 – 133 Prokor

Unofficial Translation

PRAKAS
on
Microfinance Institutions' Solvency Ratio
The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Kram NS/RKM/0196/27, dated January 26, 1996, promulgating the Law on the Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
- With reference to the Royal Decree NS/RKT/0904/244 of September 7, 2004, on the appointment of His Excellency **Chea Chanto** as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- With reference to the Prakas No B7-00-06 dated January 11, 2000, on the Licensing of Micro-Financing Institutions;
- With reference to the Prakas No B7-07-132 dated August 27, 2007, on the calculation of Microfinance Institutions' Net Worth;
- Pursuant to the recommendation made by National Bank of Cambodia management during the August 15, 2007, meeting.

DECIDES

Article 1

Microfinance Institutions, hereafter referred to as “institutions”, shall at all times observe a solvency ratio in accordance with the provisions of this Prakas. This solvency ratio of their net worth to their aggregate asset risk exposure shall not be less than 15 percent.

Article 2

The numerator of the ratio shall be the net worth calculated in accordance with the provisions of the Prakas on the calculation of microfinance institutions' net worth.

Article 3

3.1- The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

3.2- The following weightings shall apply to assets:

3.2.1- zero weighting:

- cash,
- gold,
- claims on the National Bank of Cambodia,
- assets collateralized by deposits lodged with the bank,
- claims on or guaranteed by sovereigns rated AAA to AA- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.2- 20 percent weighting:

- claims on or guaranteed by sovereigns rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.
- claims on or guaranteed by banks or corporations rated AAA to AA- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.3- 50 percent weighting:

- claims on or guaranteed by sovereigns rated BBB+ to BBB- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.
- claims on or guaranteed by banks or corporations rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.4- 100 percent weighting:

- All other assets.
- All off-balance sheet items.

Article 4

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 5

Article 15 in Prakas No B7-00-06 dated January 11, 2000, on the Licensing of Microfinance Institutions and all provisions contrary to those of this Prakas are hereby repealed.

Article 6

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 7

This Prakas shall take effect from this signing date.

Phnom Penh, August 27, 2007

The Governor
Signed and Sealed

- cc: - All members of the Board of Directors
- The parties concerned as stated in Article 6
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KINGDOM OF CAMBODIA
NATIONAL RELIGION KING



NATIONAL BANK OF CAMBODIA
Number B7. 07 – 134 Prokor

Unofficial Translation

PRAKAS
on
The monitoring of Banks' and Financial Institutions' Net Open Position
in foreign currency

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Kram NS/RKM/0196/27, dated January 26, 1996, promulgating the Law on the Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
- With reference to the Royal Decree NS/RKT/0904/244 of September 7, 2004, on the appointment of His Excellency **Chea Chanto** as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- With reference to the Regulation No B795-01 dated January 16, 1995, on the monitoring of Banks' and Financial Institutions' Open Foreign Exchange Positions;
- With reference to the Prakas No B7-00-50 dated February 17, 2000, on the accounting process for foreign currency transactions;
- Pursuant to the recommendation made by National Bank of Cambodia management during the August 15, 2007, meeting.

DECIDES

Article 1

This Prakas has the purpose of preventing Banks' and Financial Institutions' foreign exchange risks.

Article 2

For the purposes of this Prakas, terms below are defined as follows:

- A “foreign exchange risk” results from the possibility of financial loss arising from adverse movements in foreign exchange rates.
- A “foreign exchange settlement risk” results from the possibility of loss that a financial institution (FI) pays the currency it sold but does not receive the currency it bought in a foreign exchange transaction.
- The “net open position in one foreign currency” is the net outstanding balance of all assets, liabilities, and off balance sheet items in that currency. The net open position in debit is defined as “long”. The net open position in credit is defined as “short”.

Article 3

Banks and Financial Institutions shall maintain an effective system of internal control to identify, measure, monitor and control the extent and source of their foreign exchange risk and foreign exchange settlement risk during the trading day and at the close of business. The nature and the size of the internal control system shall be adapted to the size of the Banks’ and Financial Institutions’ foreign exchange transactions and foreign exchange positions.

Article 4

Banks and Financial Institutions shall at all times maintain their net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed twenty percent (20%) of Banks’ and Financial Institutions’ net worth.

Article 5

Every month, Banks and Financial Institutions shall produce both hard copy and soft copy reports of their net open position in foreign currency to the National Bank of Cambodia according to the attached format. The internal control system shall also ensure that the foreign exchange positions are properly reported to the National Bank of Cambodia.

Article 6

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 7

The Regulation No B795-01 dated January 16, 1995, on the monitoring of Banks’ and Financial Institutions’ Open Foreign Exchange Positions and all provisions contrary to those of this Prakas are hereby repealed.

Article 8

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 9

This Prakas shall take effect from this signing date.

Phnom Penh, August 27, 2007

The Governor
Signed and Sealed

- cc: - All members of the Board of Directors
- The parties concerned as stated in Article 8
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តារាងរបស់ផ្គត់ផ្គង់

ការគណនាស្ថានភាពបំណុលសុទ្ធនៃរូបិយប័ណ្ណ
Net Open Position

ឈ្មោះធនាគារ.....

Bank's Name

នាកាលបរិច្ឆេទ.....

As at.....

អត្រាប្តូរប្រាក់ ១ដុល្លារ (Exchange Rate 1USD) =

មូលនិធិផ្ទាល់សុទ្ធតិតជាធានារៀល (Bank's Net Worth)

គិតជាធានារៀល In Million KHR

រូបិយប័ណ្ណ Currency	ខ្ទង់ផ្សេងៗបន្ទាប់ពីដកចេញសិទ្ធិធានា				ស្ថានភាពរូបិយប័ណ្ណសុទ្ធ	រូបិយប័ណ្ណសុទ្ធ/ មូលនិធិផ្ទាល់សុទ្ធ (%)	កំរិតកំណត់ (%)	ភាពលើស (១) Excess (1)
	Elements after deduction of affected provision				Net Open Position			
	១	២	៣	៤	៥			
	ទ្រព្យសកម្ម	ទ្រព្យអកម្ម និងមូលធន	រូបិយប័ណ្ណត្រូវទទួល	រូបិយប័ណ្ណត្រូវចំណាយ	+ (វែង) ឬ - (ខ្លី)			
Assets	Liabilities and Capital	Currencies Receivable	Currencies Payable	+(Long) or -(Short)	Net Open Position / Net Worth (%)	Limit (%)		
+	-	ខ្ទង់ក្រៅតារាងតុល្យការ + Off Balance Sheet +	ខ្ទង់ក្រៅតារាងតុល្យការ - Off Balance Sheet -	(១ + ២ + ៣ + ៤) (1+2+3+4)				
USD						20%		
KHR						20%		
EUR						20%		
SGD						20%		
HKD						20%		
THB						20%		
JPY						20%		
VND						20%		
srub (Grand Total)								
	(២)	(៣)			(៤)			

(១) នៅពេលដែលមានភាពលើស គ្រឹះស្ថានធនាគារនិងហិរញ្ញវត្ថុត្រូវពន្យល់ដល់លាយលក្ខណ៍អក្សរពីមូលហេតុនិងវិធានការកែសម្រួល

(1) Where there is an excess, the bank shall submit a written explanation of the origin of each excess, and the measures taken to remedy the situation.

(២) ចំនួនសរុបទ្រព្យសកម្មក្នុងតារាងតុល្យការ

(2) Total equal to total assets on the balance sheet

(៣) ចំនួនសរុបទ្រព្យអកម្ម និងមូលធនក្នុងតារាងតុល្យការ

(3) Total equal to total liabilities on the balance sheet

(៤) ចំនួនសរុប = សូន្យ

(4) Total = Zero

ភ្នំពេញ, ថ្ងៃទី ខែ ឆ្នាំ

នាយក
Bank's Manager

អ្នកធ្វើតារាង
Prepared By

KINGDOM OF CAMBODIA
NATIONAL RELIGION KING



NATIONAL BANK OF CAMBODIA
Number B7. 07 - 135 Prokor

Unofficial Translation

PRAKAS
on
Amendment of Prakas Relating to Banks' Solvency Ratio

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Kram NS/RKM/0196/27, dated January 26, 1996, promulgating the Law on the Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
- With reference to the Royal Decree NS/RKT/0904/244 of September 7, 2004, on the appointment of His Excellency **Chea Chanto** as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- With reference to the Prakas No B7-00-46 dated February 16, 2000, on the Banks' Solvency Ratio;
- With reference to the Prakas No B7-00-47 dated February 16, 2000, on the calculation of Banks' Net Worth;
- Pursuant to the recommendation made by National Bank of Cambodia management during the August 15, 2007, meeting.

DECIDES

Article one

Article 3 of Prakas No B7.00-46 dated February 16, 2000, relating to the banks' solvency ratio shall be amended as follows:

New Article 3

3.1- The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items weighted to their degree of risk. It excludes the items which are deducted in

calculating the net worth according to the provisions of the Prakas on the calculation of the banks' net worth.

3.2- The following weightings shall apply to assets:

3.2.1- zero weighting:

- cash,
- gold,
- claims on the National Bank of Cambodia,
- assets collateralized by deposits lodged with the bank,
- claims on or guaranteed by sovereigns rated AAA to AA- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.2- 20 percent weighting:

- claims on or guaranteed by sovereigns rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.
- claims on or guaranteed by banks or corporations rated AAA to AA- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.3- 50 percent weighting:

- claims on or guaranteed by sovereigns rated BBB+ to BBB- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.
- claims on or guaranteed by banks or corporate rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by the National Bank of Cambodia.

3.2.4- 100 percent weighting

- All other assets.

3.3- The following provisions shall apply to off-balance sheet items:

3.3.1- Off-balance sheet items shall be classified in four categories in accordance with the list given in Annex. These items shall be taken into account:

- at their full value where they are classified as carrying a full risk,
- at 50 percent of their value where they are classified as carrying medium risk,
- at 20 percent of their value where they are classified as carrying moderate risk.

Items classified as carrying low risk shall not be taken into account.

3.3.2- The amounts thus determined shall be multiplied by the weightings laid down in Paragraph 3-2 that are applicable to the category to which the beneficiary or asset concerned belongs. However:

- in the case of commitments covered by a guarantee provided by a third party, the weightings shall be those applicable to the guarantor or the guarantee,
- in the case of guarantees given to another bank in connection with the repayment of claims held by the latter, the weightings shall be those applicable to these claims.

Article two

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article three

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article four

This Prakas shall take effect from this signing date.

Phnom Penh, August 27, 2007

The Governor
Signed and Sealed

- cc: - All members of the Board of Directors
- The parties concerned as stated in Article three
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