

PRAKAS
ON
PREPAID PREPAYMENTS ON RENTAL AND LEASES

Article 1

Banks are only allowed to make prepayments on rental or lease on properties, if some criteria are obeyed.

Article 2

Leased properties must be directly related to bank activities. Banks are not allowed to be a lessee if the property is not necessary to the bank activity.

Article 3

According to the principle of substance over the form, prepaid rental or lease cannot be used to withdraw money from the banks, and in particular to withdraw equity brought by the shareholders.

Article 4

Prepaid rental or lease cannot exceed one year of rental or lease.

Article 5

If a commercial bank must make a security deposit or credit the property's owner with any amount, it is the total of all the paid amounts recorded in the balance sheet that cannot exceed one year.

Article 6

All the paid amounts exceeding one year will have to be deducted from the bank's net worth.

Article 7

In the case the prepaid rental or lease is below one year, but at a cost higher than the market price, the difference between the prepaid rentals or lease with the market price will have to be deducted from the bank's net worth.

Article 8

Rental or lease with related parties will be submitted to the regulation on loans to related parties. Outstanding of leases with related parties and prepaid rental or lease will have to be included in the quarterly declaration of loans with related parties.

Article 9

Commercial banks with prepaid rental or lease over one year will have to be compliant within six months. At this deadline, prepaid rental or lease over one year will have to be deducted from the bank's net worth.

Article 10

Notwithstanding articles 6 and 8, banks that are not compliant with this regulation could be penalized according to article 52 of the Law on Banking and Financial Institutions.

Article 11

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

Article 12

This Prakas shall have effect from the signing date.

Phnom Penh, 09 March 2004

The Governor

Signed and Sealed: **Chea Chanto**