KINGDOM OF CAMBODIA
NATION RELIGION KING

NATIONAL BANK OF CAMBODIA

Number B7-023-338 Prokor

Unofficial Translation

PRAKAS
ON
CREDIT RISK FOR CAPITAL ADEQUACY RATIOS IN DEPOSIT-TAKING BANKS AND FINANCIAL INSTITUTIONS

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Decree NS/RKT/0519/642 of May 21, 2019 on the reappointment of His Excellency Chea Chanto as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- With reference to the Royal Kram NS/RKM/0196/27 of January 26, 1996 promulgating the Law on Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1206/036 of December 29, 2006 promulgating the Law on the Amendment of Article 14 and Article 57 of the Law on Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999 promulgation the Law on Banking and Financial Institutions;
- Pursuant to the recommendation made by the National Bank of Cambodia Management meeting on June 21, 2023.

Decides

Chapter I
General Provisions

Article 1.-

The purpose of this Prakas is to provide a measure of the credit risk for the implementation of a capital adequacy framework.

Article 2.-

This Prakas is applicable to Deposit-taking Banks and Financial Institutions under the National Bank of Cambodia (NBC)'s supervisory authority, hereinafter referred to as "Institution".

The Institution shall calculate risk-weighted assets (RWA) for credit risk on both solo and consolidated basis where relevant.

Article 3.-

For the purpose of this Prakas, the following terms are defined as follows:

- **Banking book** refers to all positions both on and off-balance sheet that are meant to be held until maturity.

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- **Counterparty** refers to any customer, borrower or other person, whether legal entity or not, to which the Institution has a credit risk exposure.
- **Credit grade** refers to the grade resulted from an assessment of the creditworthiness of a counterparty either general rating or specific rating to a particular debt or financial obligation.
- **Credit risk** refers to the potential that a counterparty would fail to meet its repayment obligations in accordance with agreed terms.
- **Credit risk mitigation (CRM)** refers to both techniques and instruments to lower the level of credit risk affected to exposures.
- **Collateralized transaction** refers to transaction that the Institution's credit exposure (both on and/or off-balance sheet) is hedged in whole or in part by eligible financial collateral provided by the counterparty or a third party on behalf of the counterparty.
- **Exposure** refers to any on-balance sheet asset (placement, loan, etc.) and off-balance sheet position (guarantees, commitments, acceptances, etc.). For on-balance sheet asset, the exposure is the outstanding amount including accrued interests, and for off-balance sheet position, it is the undrawn limits on commitments after applying the credit conversion factors as determined in Article 39 of this Prakas.
- **Defaulted exposure** refers to stage 3 exposure based on Cambodian International Financial Reporting Standards (CIFRS) classification.
- **External credit assessment institution (ECAI)** refers to external credit rating agencies recognized by the NBC.
- **Multilateral development banks (MDBs)** refer to institutions, created by a group of countries, which provides financing and professional advice for economic and social development projects. MDBs have large sovereign memberships and may include both developed countries and/or developing countries.

Chapter II
Credit Risk Weighting Principles

Article 4.-

The Institution shall ascribe risk weights to all exposures in the banking book in accordance with risk classes that are based on credit grades in Appendix 2 or otherwise determined in this Prakas.

Any exposure allocated to the banking book has been assigned to the banking book since the inception of the transaction. Exposures that are not assigned in the banking book must be included in the trading book.

Article 5.-

For exposures subjected to staging under CIFRS, the risk weight is applied to gross balance (balance before ECL deduction) for those classified as stage 1 and stage 2, and the risk weight is applied to net balance (balance after ECL deduction including partial write-offs) for those classified as defaulted exposures (stage 3). For fixed assets, the risk weight is applied to net balance after depreciation. This principle also applies to any exposures which are deducted in the calculation of CET1 Capital, Tier 1 Capital, and Total Regulatory Capital.

Article 6.-

On-balance sheet exposures shall be multiplied by their appropriate risk weight; off-balance sheet positions shall be converted into on-balance sheets equivalents (credit equivalent amount) through the use of "credit conversion factors" (CCF) before being weighted by their appropriate risk weight.

Article 7.-

For risk-weighting purpose, the exposures are divided into 14 (fourteen) parts as stated in Chapter III of this Prakas based on the type of counterparties (in part 1 to 9) and the type of exposures (in part 10 to 14). The Institution shall first apply the principle of risk weight based on the type of exposures. In case the exposures do not fall under part 10 to 14, the Institution shall apply the principle of risk weight based on the type of counterparties.

Article 8.-

When available, external credit grades given by recognized ECAIs are the reference for the determination of risk weights for exposures to sovereigns, central banks, public sector entities, multilateral development banks, and corporates as stipulated in Chapter III of this Prakas.

The Institution shall apply the following approach for exposures to financial institutions:

1. External credit risk assessment approach (ECRA) shall be applied for all exposures to rated deposit-taking institutions both inside and outside Cambodia.
2. Standardized credit risk assessment approach (SCRA) shall be applied for:
   - all exposures to unrated deposit-taking institutions in Cambodia; and
   - all exposures to non-deposit taking institutions, both rated and unrated, in Cambodia.

For exposures to unrated deposit-taking institutions and non-deposit taking institutions (both rated and unrated) outside of Cambodia, a 100% risk weight shall be applied.

An exposure is deemed to have an external rating when counterparty or the exposure itself has an external rating provided by a recognized ECAI.

Article 9.-

The Institution shall rely only on solicited external credit grades for the determination of risk classification.

The external credit grades shall be updated at least every 2 (two) years; otherwise, the exposures shall be considered as unrated.

Article 10.-

Exposures that do not have external credit grades are considered as unrated and shall receive a risk weight as specified in this Prakas.

The use of external grading to determine the risk weight applicable to a certain exposure shall be applied by an Institution on a continuous basis. Should the Institution decide to end the use of external grading, the NBC may require the Institution to apply the previous or higher risk weight. In case the external grading is ended by the counterparty, the Institution shall treat those exposures as unrated.

Article 11.-

The following rules apply to weightings that rely on external credit grades:

1. External credit grade for a holding company or an entity within the holding group cannot be used to risk weight other entities (except branch) within the same group;
2. Where a counterparty or an exposure is rated by more than one ECAI that would assign non-similar credit grades, the risk weight shall rest on the lowest external credit grade; and
3. When an exposure is assigned a specific external credit grade, the risk weight for this exposure is based on this particular assignment, regardless of counterparty’s grade.

When an exposure is not assigned a specific external credit grade, the following rules apply:

a. When an exposure to a counterparty is unrated but is similar in terms, conditions and maturity than another exposure to the same counterparty that would benefit from an external credit grade, the unrated exposure may be attributed the same credit grade as the rated one under the condition that the two exposures are denominated in the same currency. Otherwise, the unrated exposure remains unrated; and
b. If a counterparty or a particular exposure to a counterparty has been attributed a low-quality external credit grade that deserves a risk weight equal or worse than that usually applying to unrated exposures, any exposure to that counterparty shall be attributed the risk weight applicable to this low-quality external credit grade.

Article 12.-

The use of external credit grades entails that Institutions have policies and procedures that enable them to closely monitor any modification that would be given by ECAIs to their credit grading. Risk weights attributed by Institutions must continuously reflect the most updated external credit grades and be timely modified as needed in case of a modification of external credit grades.

Article 13.-

The risk incurred by exposures may be lessened by various risk reduction techniques that are stated in Chapter V of this Prakas.

Chapter III
On-Balance Sheet Exposures

Part 1: Exposures to Sovereigns and Central Banks

Article 14.-

Exposures to the Royal Government of Cambodia and to the NBC denominated and funded in KHR or other currencies are given a preferential risk weight of 0%.

Any exposure in KHR or other currencies that benefits from an explicit and unconditional guarantee of the Royal Government of Cambodia including the credit guarantee scheme established by the Royal Government of Cambodia is also given a risk weight of 0%. In case that an exposure is partly guaranteed, 0% risk weight shall be applied for the part of the exposure that is guaranteed.

Article 15.-

Exposures to sovereigns and central banks other than the Royal Government of Cambodia and the NBC as referred to Article 14 of this Prakas shall be weighted as follows:

Risk class	1	2	3	4	5	Unrated
Risk weight	0%	20%	50%	100%	150%	100%

The definition of risk classes (1 to 5) introduced in the tables of Articles 15 to 25 of this Prakas is provided in Appendix 2.

Article 16.-

By way of exception to Article 15 of this Prakas, when the national supervisor of another country has accorded a preferential risk weight for exposures to its own sovereign and central bank denominated and funded in its domestic currency, Institutions may also apply the corresponding preferential risk weight on exposures they would have in that currency on that sovereign or central bank. Similarly, the preferential risk weight is also applicable to exposures benefiting from an explicit guarantee of this sovereign. In any case, the preferential risk weight treatment should be notified to the NBC. When the NBC would deem such preferential risk weight inappropriate, it may require Institutions to comply with the provisions of Article 15 of this Prakas.

Article 17.-

Exposures to the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) are given a 0% risk weight.

Part 2: Exposures to Public Sector Entities (PSEs)

Article 18.-

For the purpose of this Prakas, PSEs refer to non-commercial administrative entities or non-commercial entities, owned and guaranteed by the central government. These entities are not involved in any commercial undertaking and are not functioning as a corporate in competitive markets.

PSEs that do not fulfill these criteria shall be risk-weighted according to risk weights specified in Article 25 of this Prakas, as per corporates.

Article 19.-

Exposures to PSEs that comply with the conditions set forth in Article 18 of this Prakas shall be weighted as follows:

Risk class	1	2	3	4	5	Unrated
Risk weight	20%	50%	100%	100%	150%	100%

Part 3: Exposures to Multilateral Development Banks

Article 20.-

Exposures to MDBs listed in Appendix 3 are risk-weighted at 0%.

MDBs listed in Appendix 3 shall be rated no lower than Aa3 or equivalent. Otherwise, exposures to such MDBs will be subject to the treatment set out in Article 21 of this Prakas.

Article 21.-

Except for the provision in Article 20 of this Prakas, the exposures to multilateral development banks (MDBs) shall be risk-weighted as follows:

Risk class	1	2	3	4	5	Unrated
Risk weight	20%	30%	50%	100%	150%	50%

Part 4: Exposures to Deposit-Taking Institutions

Article 22.-

The Institution shall assign risk weight on exposures to rated deposit-taking institutions using ECRA correspond to the following “base” risk weights.

Exposures to deposit-taking institutions with an original maturity of 3 (three) months or less shall be assigned a risk weight that corresponds to the risk weights for short-term exposures.

Risk class	1	2	3	4	5
“Base” risk weight	20%	30%	50%	100%	150%
Risk weight for short-term exposures	20%	20%	20%	50%	150%

The Institution shall assign the risk weight on exposures to unrated deposit-taking institutions in Cambodia using SCRA. For exposures to unrated deposit-taking institutions outside Cambodia, the Institutions shall assign risk weight of 100%.

Based on SCRA, Institutions shall classify the exposures to unrated deposit-taking institutions in Cambodia into 3 (three) grades such as Grade A, Grade B, and Grade C and assign the risk weight as follows:

	Grade A	Grade B	Grade C
“Base” risk weight	40%	75%	150%
Risk weight for short-term exposures	20%	50%	150%

Grade A

Grade A refers to exposures to deposit-taking institutions, where the counterparty has adequate capacity to meet their financial commitments (including repayments of principal and interest) in a timely manner, for the projected life of the assets or exposures and irrespective of the economic cycles and business conditions.

A counterparty classified into Grade A must meet or exceed the minimum total capital ratio and buffers established by the NBC and the counterparty shall provide this information to the institution. The Institution shall update the information on total capital ratio and buffers of the counterparty on monthly basis for short-term exposures and at least every 6 (six) months for long-term exposures. If such minimum total capital ratio and buffers are not made available by the counterparty to the Institution, then the counterparty must be assessed as Grade B or Grade C.

If as part of its due diligence, the Institution assesses that a counterparty does not meet the definition of Grade A, exposures to the counterparty must be classified as Grade B or Grade C.

Grade B

Grade B refers to exposures to deposit-taking institutions, where the counterparty is subject to substantial credit risk, such as repayment capacities that are dependent on stable or favorable economic or business conditions.

A counterparty classified into Grade B must meet or exceed the minimum total capital ratio (excluding capital buffers) and the counterparty shall provide this information to the institution. The Institution shall update the information on total capital ratio of the counterparty on monthly basis for short-term exposures and at least every 6 (six) months for long-term exposures. If such minimum total capital ratio is not made available by the counterparty, then the counterparty must be assessed as Grade C.

Grade C

Grade C refers to higher credit risk exposures to deposit-taking institutions, where the counterparty has material default risks and limited margins of safety. For these counterparties, adverse business, financial, or economic conditions are very likely to lead, or have led, to an inability to meet their financial commitments.

At a minimum, if any of the following triggers is breached, the Institution must classify the exposure into Grade C:

- The counterparty does not meet the criteria for being classified as Grade B with respect to its minimum total capital ratio; or
- The external auditor has issued an adverse opinion or has expressed substantial doubt about the counterparty's ability to continue as a going concern in its financial statements or audited reports within the previous 12 (twelve) months.

Even if these triggers are not breached, the Institution may assess that the counterparty must be classified into Grade C.

Part 5: Exposures to Non-Deposit Taking Institutions

Article 23.-

For exposures to rated or unrated non-deposit taking institutions outside of Cambodia, the Institutions shall assign a risk weight of 100%.

Based on SCRA, Institutions shall classify the exposures to rated or unrated non-deposit taking institutions in Cambodia into 4 (four) grades such as Grade A, Grade B, Grade C, and Grade D and assign the risk weight as follows:

	Grade A	Grade B	Grade C	Grade D
"Base" risk weight	40%	75%	100%	150%
Risk weight for short-term exposures	20%	50%	100%	150%

Exposures to non-deposit taking institutions with an original maturity of 3 (three) months or less shall be assigned a risk weight that corresponds to the risk weights for short-term exposures.

Grade A

Grade A refers to exposures to non-deposit taking institutions, where the counterparty has adequate capacity to meet their financial commitments (including repayments of principal and interest) in a timely manner, for the projected life of the assets or exposures and irrespective of the economic cycles and business conditions.

A counterparty classified into Grade A shall have a total capital ratio at least 6% above minimum total capital ratio. The Institution shall update the information on total capital ratio of the counterparty on monthly basis for short-term exposures and at least every 6 (six) months for long-term exposures.

Grade B

Grade B refers to exposures to non-deposit taking institutions, where the counterparty is subject to substantial credit risk, such as repayment capacities that are dependent on stable or favorable economic or business conditions.

A counterparty classified into Grade B shall have a total capital ratio at least 3% above the minimum total capital ratio. The Institution shall update the information on total capital ratio of the counterparty on monthly basis for short-term exposures and at least every 6 (six) months for long-term exposures.

Grade C

Grade C refers to exposures to non-deposit taking institutions, where the counterparty is subject to significant credit risk, such as repayment capacities that are largely dependent on stable or favorable economic or business conditions.

At a minimum, the Institution shall classify the exposure into Grade C when the counterparty does not meet the criteria for being classified as Grade A and B but meet the minimum total capital ratio. The Institution shall update the information on total capital ratio of the counterparty on monthly basis for short-term exposures and at least every 6 (six) months for long-term exposures.

Grade D

Grade D refers to higher credit risk exposures to non-deposit taking institutions, where the counterparty has material default risks and limited margins of safety. For these counterparties, adverse business, financial, or economic conditions are very likely to lead, or have led, to an inability to meet their financial commitments.

At a minimum, if any of the following triggers is breached, the Institution must classify the exposure into Grade D:

- The counterparty does not meet the criteria for being classified as Grade C with respect to its minimum total capital ratio; or
- The external auditor has issued an adverse audit opinion or has expressed substantial doubt about the counterparty's ability to continue as a going concern in its financial statements or audited reports within the previous 12 (twelve) months.

Even if these triggers are not breached, the Institution may assess that the counterparty must be classified into Grade D.

Part 6: Exposures to Other Financial Institutions

Article 24.-

Exposures to all other financial institutions under other regulators or under the National Bank of Cambodia which are not subject to capital adequacy ratios shall be risk weighted as exposures to corporates in accordance with Article 25 of this Prakas.

Part 7: Exposures to Corporates

Article 25.-

Exposures to corporates include exposures to limited companies, partnerships, proprietorships, and other entities with similar characteristics, except those which qualify for one of the other exposure classes within this Chapter.

Institutions must perform due diligence to ensure that the external ratings appropriately and conservatively reflect the creditworthiness of the counterparties. If the due diligence analysis reflects higher risk characteristics than that implied by the external rating bucket of the exposure, the Institutions must assign a risk weight at least one bucket higher than the risk weight determined by the external rating. Due diligence analysis must never result in the application of a lower risk weight than that determined by the external rating.

Exposures to corporate shall be weighted as follows:

Risk class	1	2	3	4	5	Unrated
Risk weight	20%	50%	75%	100%	150%	100%

Part 8: Exposures to Micro, Small and Medium Enterprises (MSMEs)

Article 26.-

Any unrated corporate stated in Article 25 of this Prakas that meets the following criteria will be treated as MSMEs.

Sector	Number of employees				Turnover (in Million KHR)				Assets (in Million KHR)		
	Micro	Small	Medium		Micro	Small	Medium		Micro	Small	Medium
Agriculture	< 5	5-49	50-199	and	< 249	≥ 249 ≤ 1,000	> 1,000 ≤ 4,000	or	< 200	≥ 200 ≤ 1,000	> 1,000 ≤ 2,000
Industry	< 5	5-49	50-199		< 250	≥ 250 ≤ 1,600	> 1,600 ≤ 8,000		< 200	≥ 200 ≤ 2,000	> 2,000 ≤ 4,000
Service and Commerce	< 5	5-49	50-99		< 250	≥ 250 ≤ 1,000	> 1,000 ≤ 6,000		< 200	≥ 200 ≤ 1,000	> 1,000 ≤ 2,000
Turnover or assets are defined based on the number that represents the highest level.											

The Institution shall apply the risk weight of 75% on exposures to MSMEs that have financial statements in compliance with local accounting standards and that have registered under the Law on Commercial Enterprises. Exposures that fail to meet any of these conditions shall be risk-weighted 100%.

Part 9: Exposures to Individuals

Article 27.-

Individual exposures that meet all of the criteria listed below will be risk-weighted at 85%. The criteria include:

1. Product: the exposure for personal consumption such as exposures for education, household goods, vehicles and agriculture (such as fertilizer, seeds, machinery etc.) and
2. Value: the maximum aggregated outstanding exposures (including accrued interest receivables) to one counterparty cannot exceed an absolute threshold of KHR 200,000,000 (two hundred million riels).

Exposures to an individual person or persons that do not meet all the criteria in this Article will be risk-weighted at 100%.

Article 28.-

Exposures to individual person or persons for the purpose of own corporate's business are treated as exposures to corporates and risk-weighted at 100%.

Exposures to individual person or persons for the purpose of own MSMEs' business are treated as exposures to MSMEs and risk-weighted at 100%.

Exposures to individuals related to real estate will be treated in accordance with Articles 30 to 34 of this Prakas.

Part 10: Exposures as Specialized Lending

Article 29.-

To be treated as a specialized lending, the exposures need to fulfill some or all of the following characteristics:

- The exposure is within the definitions of object finance, project finance or commodities finance;
- The exposure is typically to an entity (often a special purpose vehicle - SPV) that was created specifically to finance and/or operate physical assets;
- The primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of the borrowing entity; and
- The terms of the contract give the lender a substantial degree of control over the asset(s) and the income that it generates.

The above exposures will be classified in one of the following three subcategories of specialized lending:

1. Project finance refers to the method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the loan. This type of financing is usually for large, complex and expensive installations such as power plants, chemical processing plants, mines, transportation infrastructure, environment, media, and telecoms. Project finance may take the form of financing the construction of a new capital installation or refinancing of an existing installation.
2. Object finance refers to the method of funding the acquisition of equipment (e.g. ships, aircraft, satellites, and railcars) where the repayment of the loan is dependent on the cash flows generated by the specific assets that have been financed and secured or assigned to the lender.
3. Commodities finance refers to short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities (e.g. crude oil, metals, or crops), where the loan will be repaid from the proceeds of the sale of the commodity and the borrower has no independent capacity to repay the loan.

For specialized lending exposures, the following risk weights will apply:

- Object and commodities finance exposures will be risk-weighted at 100%;
- Project finance exposures will be risk-weighted at 130% during the pre-operational phase and 100% during the operational phase; and
- Green project finance exposures will be risk-weighted at 100% during the pre-operational phase and 80% during the operational phase.

Part 11: Exposures to Real Estate

Article 30.-

To apply the risk weights specified in Article 32 and Article 33 of this Prakas, the real estate exposures must meet the following requirements:

- **Finished property:** the purchased property must be fully completed. However, there are some exemptions. The purchased properties can be unfinished in case of:
    1. agricultural land or
    2. property under construction or land upon which residential property would be constructed provided that:
        a). for residential property, the property will be a family residential housing;
        b). the appropriate completion date of construction is clearly stated in the contract; and

c). the construction is reasonably in progress in accordance with the project timeline. The Institution shall have appropriate mechanism to monitor the construction progress.

- **Legal enforceability and claims over the secured property:** any claim on the property taken must be legally enforceable. However, the Institution must follow all necessary procedures in accordance with applicable laws and regulations. The collateral agreement and the legal process underpinning it must be such that they provide for the Institutions to realize the value of the property within a reasonable timeframe.
- **Ability of the borrower to repay:** the Institution shall put in place specific underwriting policies, which includes key ratios, with respect to the granting of real estate exposures that include the assessment of the ability of the borrower to repay.
- **Prudent value of property:** the property must be valued according to the criteria in Article 31 of this Prakas for determining the value in the loan to value (LTV) ratio.
- **Required documentation:** all the information required at loan origination and for monitoring purposes must be properly documented, including information on the ability of the borrower to repay and on the valuation of the property.

Article 31.-

The LTV ratio is the amount of the loan divided by the value of the property (after haircut for soft title). Subsequently, when calculating the LTV ratio, the loan amount will be reduced as the loan amortizes. The Institution may calculate LTV ratio periodically but not exceed 6 (six) months.

The value of the property will be maintained at the value measured at origination unless the NBC elects to require Institutions to revise the property value downward. The value must be adjusted and LTV ratio shall be recalculated immediately if an extraordinary, idiosyncratic event occurs resulting in a permanent reduction of the property value. If the value has been adjusted downwards a subsequent upwards adjustment can be made but not to a higher value than the value at origination.

The LTV ratio must be prudently calculated in accordance with the following requirements:

- **Amount of the loan:** includes the outstanding loan amount and any undrawn committed amount of the real estate exposures. The loan amount must be calculated gross of any provisions and other risk mitigants.
- **Value of the property:** the valuation must be done using prudently conservative valuation criteria according to Chapter VI of the Prakas on Credit Risk Grading and Impairment Provisioning, and the valuation must be done independently from the Institution’s real estate exposures origination. The value of the property (denominator of LTV ratio) shall be applied haircut of at least 30% when the ownership of the secured property is certified by a soft title for exposures to purchase residential property only. For the exposures to purchase commercial property, the value of the property (denominator of LTV ratio) shall be applied haircut of 100% when the ownership of the secured property is certified by a soft title.

A guarantee or financial collateral may be recognized as a credit risk mitigant in relation to exposures to purchase real estate if it qualifies as eligible collateral under the credit risk mitigation framework. Institutions may recognize these risk mitigants in calculating the exposure amount; however, the LTV bucket and risk weight to be applied to the exposure amount must be determined before the application of the appropriate credit risk mitigation technique.

Article 32.-

A residential real estate exposure is an exposure to individuals to purchase residential properties that has the nature of a dwelling.

Where the appropriate requirements set forth in Article 30 of this Prakas are met and the purpose of the loan is not “Land Acquisition, Development and Construction” as stated in Article 34 of this Prakas, the risk weight to be assigned to the total exposure amount will be determined based on the exposure’s LTV ratio as follows:

Purchased property and other collaterals are both secured or where purchased property is solely secured. The purchased property is used as the denominator of LTV ratio.						
LTV Ratio	LTV ≤ 50%	50% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 90%	90% < LTV ≤ 100%	LTV > 100%
Risk weight	30%	40%	50%	70%	100%	120%

Purchased property is not secured and the value of purchased property is **lower or equal** to the value of other secured collaterals. The purchased property is used as the denominator of LTV ratio.						
LTV Ratio	LTV ≤ 50%	50% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 90%	90% < LTV ≤ 100%	LTV > 100%
Risk weight	50%	60%	70%	90%	120%	140%

Purchased property is not secured and the value of purchased property is **higher** than the value of other secured collaterals. The other secured collaterals are used as the denominator of LTV ratio.						
LTV Ratio	LTV ≤ 50%	50% < LTV ≤ 60%	60% < LTV ≤ 80%	80% < LTV ≤ 90%	90% < LTV ≤ 100%	LTV > 100%
Risk weight	50%	60%	70%	90%	120%	140%

For exposures where any of the loan requirements set forth in Article 30 of this Prakas are not met, the exposure will be risk-weighted at 150%.

Article 33.-

A commercial real estate exposure is an exposure to individuals or legal entities to purchase any immovable property that is not a residential real estate as defined in Article 32 of this Prakas.

Where the appropriate requirements set forth in Article 30 are met and the purpose of the loan is not “Land Acquisition, Development and Construction” as stated in Article 34 of this Prakas, the risk weight to be assigned to the total exposure amount will be determined based on the exposure’s LTV ratio as follows:

Purchased property and other collaterals are both secured or where purchased property is solely secured. The purchased property is used as the denominator of LTV ratio.			
LTV Ratio	LTV ≤ 60%	60% < LTV ≤ 80%	LTV > 80%
Risk weight	70%	90%	110%

Purchased property is not secured and the value of purchased property is **lower or equal** to the value of other secured collaterals. The purchased property is used as the denominator of LTV ratio.			
LTV Ratio	LTV ≤ 60%	60% < LTV ≤ 80%	LTV > 80%
Risk weight	90%	110%	130%

Purchased property is not secured and the value of purchased property is **higher** than the value of other secured collaterals. The other secured collaterals are used as the denominator of LTV ratio.			
LTV Ratio	LTV ≤ 60%	60% < LTV ≤ 80%	LTV > 80%
Risk weight	90%	110%	130%

For exposures where any of the requirements in Article 30 are not met, the exposure will be risk-weighted at 150%.

Article 34.-

"Land Acquisition, Development and Construction - ADC" exposures are loans to individuals, companies or SPVs financing any of:

- land acquisition for development and construction purposes; or
- development and construction of any residential or commercial property.

ADC exposures shall be risk-weighted 100%, provided that the following criteria are met:

1. Exposures are provided to companies or SPVs financing residential real estate;
2. The Institution has prudential underwriting standards that meet the requirements (ability of the borrower to repay) set forth in Article 30 of this Prakas where applicable; and
3. The counterparties shall have:
    - Pre-sale or pre-lease contracts amount to at least 60% of total contracts. Pre-sale or pre-lease contracts must be legally binding written contracts and the purchaser/renter must have made a substantial cash deposit of at least 10% which is subject to forfeiture if the contract is terminated; and
    - Equity at risk should be at least 20% of borrower-contributed equity to the real estate's appraised as-completed value.

ADC exposures to companies or SPVs that fail to meet any of the above criteria and ADC exposures to individuals shall be risk weighted 150%.

Exposures to individuals for ADC for own housing purposes shall be treated as residential real estate exposures and risk-weighted in accordance with Article 32 of this Prakas.

Exposures to individuals or legal entities for ADC for own business operation purposes shall be treated as exposures to corporate and risk-weighted in accordance with Article 25 of this Prakas.

Part 12: Defaulted Exposures

Article 35.-

For risk-weighting purposes under this Prakas, a defaulted exposure is defined in Article 3 of this Prakas. Default by a borrower on one obligation requires the Institutions to treat all other obligations as defaulted in line with the Article 60 in Prakas on Credit Risk Grading and Impairment Provisioning.

The defaulted exposure secured or guaranteed by guarantees or financial collateral which are eligible according to the credit risk mitigation framework shall follow the rules of risk weighting in Chapter V of this Prakas.

Any defaulted exposure secured by any collateral other than CRM, net of ECL and partial write-offs, shall be risk-weighted at 100%.

When an exposure has been risk-weighted at more than 100% before being defaulted, the same risk weight shall be applied once the exposure defaults.

The unsecured or unguaranteed portion of a defaulted exposure, net of ECL and partial write-offs, shall be risk-weighted at 150%.

Part 13: Equity, Subordinated Debt and Other Capital Instruments Exposures Issued by Commercial Entities or Banks or Financial Institutions

Article 36.-

For participation in banks or financial institutions, the Institution shall 1/- apply a risk weight of 250% to equity holdings provided they are not deducted from the regulatory capital and 2/- apply a risk weight of 100% to subordinated debt and capital instruments other than equities provided they are not deducted from the regulatory capital.

For commercial entities, a risk weight of 250% will be applied to equity holdings. A risk weight of 150% will be applied to subordinated debt and capital instruments other than equities. Exceptionally, the investments in commercial entities whose operations are incidental to promoting banking sectors such as Credit Bureau Cambodia, training center for banking, etc. shall be risk weighted 100%.

However, the risk weight for investments in significant minority- or majority-owned and –controlled commercial entities depends upon the application of two materiality thresholds:

1. for individual investments, 15% of the Institution’s regulatory capital; and
2. for the aggregate of such investments, 60% of the Institution’s regulatory capital.

Where investments in commercial entities are above the materiality thresholds, as stipulated in 1 and 2 above, investments in excess of the materiality thresholds must be risk-weighted at 1250%.

By exception, unlisted commercial entities equity exposures that are invested for short-term resale purposes or are considered venture capital or similar investments which are subject to price volatility and are acquired in anticipation of significant future capital gains shall be risk-weighted at 400%.

Part 14: Other assets

Article 37.-

Institution shall risk weigh the following other assets as follows:

- 0% for cash on hand;
- 0% for gold bullion held at the Institution or held in another institution to the extent the gold bullion assets are backed by gold bullion liabilities;

- 20% for cash items in the process of collection; and
- 100% for all other assets that are not specified elsewhere including fixed assets of which the intangible assets in the form of software for core banking system shall be risk weighted 90%.

Chapter IV
Off-Balance Sheet Exposures

Article 38.-

Before being risk-weighted, off-balance sheet positions must be converted into "credit equivalent amounts" through the use of "credit conversion factors" (CCF). In the case of commitments, the committed but undrawn amount of the exposure would be multiplied by the CCF. For these purposes, commitment means any contractual arrangement that has been offered by the Institution and accepted by the client to extend credit, purchase assets or issue credit substitutes. It includes any such arrangement that can be unconditionally cancelled by the Institution at any time without prior notice to the obligor, or can be cancelled by the Institution if the obligor fails to meet conditions set out in the facility documentation.

First, to get the credit equivalent amounts, the contractual amount of the exposure or the unused portion of the commitment are multiplied by CCF. Then, the amount of the risk-weighted exposure is the multiplication of the credit equivalent amounts by their appropriate risk weight as defined in Chapter III of this Prakas.

Article 39.-

Institution shall use the CCFs applicable to all off-balance exposures as follows:

<table>
<tr><th>Items</th><th>Nature of the exposure</th><th>CCF</th></tr>
<tr><td>A</td><td>Direct credit substitutes, such as 1/- general guarantees of indebtedness, (including standby letters of credit serving as financial guarantees for loans and securities) and 2/- acceptances (including endorsements with the character of acceptances)</td><td rowspan="6">100%</td></tr>
<tr><td>B</td><td>Lending of securities or posting of securities as collateral including instances where these arise out of SFTs (repurchase/reverse-repurchase and securities lending/securities borrowing transactions)</td></tr>
<tr><td>C</td><td>Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the Institution</td></tr>
<tr><td>D</td><td>Off-balance sheet items that are credit substitutes not explicitly included in any other category</td></tr>
<tr><td>E</td><td>Transaction-related contingencies, such as performance bonds, bid bonds, warranties and standby letter of credit related to particular transactions</td></tr>
<tr><td>F</td><td>Commitments regardless of maturity of the underlying facility (unless they qualify for a lower CCF in item "G" and "H" below)</td></tr>
<tr><td>G</td><td>Short term self-liquidating trade letters of credit arising from the movement of goods, such as documentary credit collateralized by the underlying shipment (applicable to both the issuing Institution and the confirming one)</td><td>50%</td></tr>
<tr><td>H</td><td>Commitments that are unconditionally cancellable at any time by the Institution without prior notice, or that effectively provide for automatic cancellation due to deterioration in a counterparty's creditworthiness</td><td>20%</td></tr>
</table>

To benefit from the 20% weighting mentioned in line "H" of the table above, the Institution shall meet the following conditions:

1. It has the legal ability to cancel the commitment;
2. It has an internal control as well as monitoring procedures that enable it to timely cancel the commitment when needed; and
3. The Institution indeed decides such cancellations upon evidence of deterioration of counterparties' creditworthiness.

If any of the above conditions is not met, the Institution shall apply 100% CCF.

Article 40.-

An Institution must include all commitments in the calculation of risk-weighted exposures, irrespective of whether or not they contain provisions intended to relieve the Institution of its obligations under certain conditions.

Chapter V
Credit Risk Mitigation

Article 41.-

Institutions may use the following techniques to mitigate the credit risks:

- Collateralized transactions and
- Guarantees.

Article 42.-

In order for the Institution to obtain capital relief for any use of CRM techniques stated in Article 41 of this Prakas, all documentation used must be binding on all parties and legally enforceable. Institution must undertake legal review as necessary to ensure continuing enforceability.

Credit risk mitigation techniques, which lower the level of credit risk affected to exposures, may be taken into account for the calculation of the risk-weighted assets of an Institution under the following conditions:

- The effects of CRM must not be double-counted. If the rating is issued for a specific exposure, the collateral is already considered by ECAI to come up with the rating for that specific exposure; thus, the collateral could not be used as the mitigator again in the CRM. Any portion of collateral already used as CRM for one exposure cannot be used to cover other exposures;
- In the case where an Institution has multiple CRM techniques covering a single exposure, the Institution is required to subdivide the exposure into portions covered by each type of CRM and the value of the risk-weighted asset corresponding to each portion must be calculated separately; and
- The credit quality of the counterparty must not have any material positive correlation with the employed CRM technique. For example, securities issued by the counterparty (or by any counterparty-related entity) provide little protection as collateral and are thus ineligible.

Part 1: Collateralized Transactions

Article 43.-

For exposure collateralized or portion of exposure collateralized by eligible financial collaterals, the Institution shall replace the risk weight of the counterparty with the risk weight of the financial collateral. The collateralized exposure or collateralized portion of the exposure is subject to a 20% floor with exception for financial collaterals stated in Article 48 of this Prakas.

Article 44.-

In order for a transaction to be considered as collateralized, the following conditions must be met:

- The legal mechanism by which financial collateral is secured must ensure that the Institution has the right to liquidate or take legal possession of it in a timely manner in the event of default, insolvency or bankruptcy of the counterparty;
- Institutions must have clear and robust procedures for the timely liquidation of the financial collateral; and
- Where the financial collateral is held by a custodian, Institutions must take reasonable steps to ensure that the custodian segregates the financial collateral from its own assets.

Article 45.-

When the collateralized transaction is opened between two Institutions, a capital requirement must be applied in both Institutions. For example, a repo in one Institution is a reverse repo in the counterparty Institution.

Where the Institution, acting as an agent, arranges a repo-style transaction between a customer and a third party and provides a guarantee to the customer (reverse repo side) that the third party (repo side) will perform on its obligations, then the risk to the Institution is the same as if the Institution had entered into the transaction as a principal. In such circumstances, the Institution must calculate capital requirements as if it were itself the principal.

Article 46.-

For financial collateral to be recognized, it must be secured for at least the life of the exposure and have lower risk weight than the risk weight of the counterparty, and it must be marked to market and revalued with a minimum frequency of 6 (six) months.

Article 47.-

The following instruments are eligible for recognition as financial collateral, subject to the minimum conditions specified in Article 42 of the Prakas:

- Cash deposit including certificates of deposits lodged with the lending Institution;
- Gold bullion;
- Debt securities rated by an ECAI, where one of the below conditions is met:
  - at least Ba3 or equivalent when issued by sovereigns or PSEs that are treated as sovereigns, or
  - at least Baa3 or equivalent when issued by other entities, including banks and financial institutions under the supervisory authority of the NBC and other prudentially regulated financial institutions, or
  - at least P-3 or equivalent for short term debt instruments;
- Debt securities not rated by an ECAI, where all the below conditions are met:
  - issued by banks and financial institutions (local and foreign);
  - listed on a recognized exchange;
  - classified as senior debt;
  - all rated issues of the same seniority by the issuing banks and financial institutions (local and foreign) are rated at least Baa3 or P-3 or equivalent; and
  - there is no doubt about the market liquidity of the security;
- Debt securities issued by local deposit-taking financial institutions and local non-deposit taking financial institutions assigned to grade A under SCRA will also be eligible; and
- Equities (including convertible bonds) that are included in a main index.

Article 48.-

Exceptions to the 20% risk weight floor, a 0% risk weight may be applied to the collateralized portion of an exposure where the exposure and the financial collateral are denominated in the same currency and either:

- The collateral is cash deposit as defined in Article 47 of this Prakas; or
- The collateral is in the form of Securities of Sovereign eligible for a 0% risk weight as defined in Chapter III of this Prakas, and its market value has been discounted by 20%.

Part 2: Guarantees

Article 49.-

If the conditions set forth in Part 2 of Chapter V of this Prakas are met, the Institution can substitute the risk weight of the counterparty with the risk weight of the guarantor on the portion that is covered by guarantee.

For a guarantee, to be eligible as a CRM instrument, the following conditions must be met complementary to the general conditions specified in Article 42 of this Prakas:

- The guarantee must represent a direct claim on the guarantor and must be explicitly referenced to specific exposures, so that the extent of the cover is clearly defined and cannot be disputed;
- The credit guarantee contract must be irrevocable;
- There must be no clause or provision in the contract that would allow the guarantor unilaterally to cancel the credit cover or that would increase the cost of the cover as a result of deteriorating credit quality in the hedged exposure; and
- The contract must not include any clause or provision that would prevent the guarantor from being obliged to pay in a timely manner in the event that the original counterparty defaults.

Article 50.-

The guarantees accepted as CRM instruments must be provided by the following eligible guarantors:

- Sovereigns, central banks, BIS, IMF, PSEs, MDBs, banks, securities firms, and other financial institutions with a lower risk weight than the counterparty or
- Other entities rated at least Baa3 or equivalent. This would include guarantee provided by parent, subsidiaries and affiliate companies whose risk weight is lower than the risk weight of the counterparty.

Article 51.-

Additional operational requirements for guarantees:

- On the default/non-payment of the counterparty, the Institution may in a timely manner pursue the guarantor for any monies outstanding under the documentation governing the transaction and may receive any such amounts without having first to take legal action in order to pursue the counterparty for payment;
- The guarantee is an explicitly documented obligation assumed by the guarantor; and
- Where a guarantee covers payment of principal only, interests and/or other uncovered payments shall be treated as an unsecured amount.

Chapter VI
Other Provisions

Article 52.-

The NBC may impose any risk weight to particular exposures it would deem complex or high risk.

The exposures which are not covered by this Prakas will be provided in separate circular when needed.

Article 53.-

The Institution shall submit monthly report on risk-weighted assets (RWA) for credit risk in Deposit-taking Banks and Financial Institutions on solo basis to the NBC no later than the 10th day of the next month and shall submit quarterly report on a consolidated basis, if any, no later than the 15^{th} day of the first month of the next reporting period by using the templates provided in Appendix 1.

Chapter VII
Sanctions and Fines

Article 54.-

Any Institution failing to comply with this Prakas shall be penalized according to Article 52 of Law on Banking and Financial Institutions.

Article 55.-

In addition to the above disciplinary sanctions, the NBC may impose transactional fines as follow:

1. Any Institution failing to comply with the provision of Article 53 of this Prakas shall be liable to transactional fine of KHR 1,000,000 (one million riels) per day; and
2. Any Institution failing to comply with this Prakas except item 1 of this Article shall be liable to transactional fine of KHR 3,000,000 (three million riels) per day counting from the deadline the NBC requires the Institution to take corrective action.

Chapter VIII
Final Provision

Article 56.-

The General Secretary, the General Director of Banking Supervision, the General Director of Central Banking, the General Cashier, the General Inspector, Directors of all relevant Departments in the National Bank of Cambodia and all Deposit-taking Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas from January 01, 2024 onward.

Phnom Penh, June 23, 2023

The Governor

Signed and Sealed: **Chea Chanto**

To:

- As stated in article 56 "for implementation"
- Files-archives

Cc:

- All members of the Board of Directors
- Council of Ministers
  "for information"
- Administrative Department of CM
  "for publication in the National Gazette"

Appendix 1

របាយការណ៍ ស្តីពី ទ្រព្យសកម្មក្រោយថ្លឹងហានិភ័យសម្រាប់ហានិភ័យឥណទានរបស់គ្រឹះស្ថានធនាគារនិងហិរញ្ញវត្ថុទទួលប្រាក់បញ្ញើ

Report on Risk-Weighted Assets (RWA) for Credit Risk in Deposit-taking Banks and Financial Institutions

លេខសម្គាល់របាយការណ៍ Report ID	
ជំនាន់របាយការណ៍ Report Version	
កាលបរិច្ឆេទ As at	
ឈ្មោះគ្រឹះស្ថាន Institution's Name	
អត្រាប្តូរប្រាក់ក្នុង ១ ដុល្លារអាមេរិក = X រៀល Exchange Rate 1 USD = X Riel	
ឯកតាគិតជាលានរៀល In million Riels	

អ៊ិចស្ពូស៊ើ Exposures	អ៊ិចស្ពូស៊ើក្នុងតារាងតុល្យការ On-Balance Sheet Exposures		អ៊ិចស្ពូស៊ើក្រៅតារាងតុល្យការ Off-Balance Sheet Exposures			សរុបទ្រព្យសកម្មក្រោយថ្លឹងហានិភ័យ Total Risk-Weighted Assets
	ទ្រព្យសកម្មមុនថ្លឹងហានិភ័យ Assets before Risk Weighting	ទ្រព្យសកម្មក្រោយថ្លឹងហានិភ័យ Risk-Weighted Assets	អ៊ិចស្ពូស៊ើមុនបំប្លែង Exposures before CCFs	តម្លៃសមមូលឥណទាន Credit Equivalent Amounts	ទ្រព្យសកម្មក្រោយថ្លឹងហានិភ័យ Risk-Weighted Assets	
អ៊ិចស្ពូស៊ើចំពោះស្ថាប័នអធិបតេយ្យ និងធនាគារកណ្តាល Exposures to Sovereigns and Central Banks	-	-	-	-	-	-
អ៊ិចស្ពូស៊ើចំពោះអង្គភាពសាធារណៈ Exposures to Public Sector Entities (PSEs)	-	-	-	-	-	-
អ៊ិចស្ពូស៊ើចំពោះធនាគារអភិវឌ្ឍន៍ពហុភាគី Exposures to Multilateral Development Banks (MDBs)	-	-	-	-	-	-
អ៊ិចស្ពូស៊ើចំពោះគ្រឹះស្ថានទទួលប្រាក់បញ្ញើ Exposures to Deposit-Taking Institutions	-	-	-	-	-	-

អ៊ិចស្ប៉ូស៊ើចំពោះគ្រឹះស្ថានមិនទទួលប្រាក់បញ្ញើ Exposures to Non-Deposit Taking Institutions	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើចំពោះគ្រឹះស្ថានហិរញ្ញវត្ថុផ្សេងទៀត Exposures to Other Financial Institutions	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើចំពោះក្រុមហ៊ុន Exposures to Corporates	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើចំពោះសហគ្រាសធុនមីក្រូ តូច និងមធ្យម Exposures to Micro, Small and Medium Enterprises (MSMEs)	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើចំពោះរូបវន្តបុគ្គល Exposures to Individuals	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើជាឥណទានឯកទេស Exposures as Specialized Lending	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើចំពោះវិស័យអចលនទ្រព្យ Exposures to Real Estate	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើមិនដំណើរការ Defaulted Exposures	-	-	-	-	-	-
អ៊ិចស្ប៉ូស៊ើក្នុងទម្រង់ជាភាគកម្ម បំណុលបន្ទាប់បន្សំ និងឧបករណ៍ដើមទុនផ្សេងៗរបស់ក្រុមហ៊ុនពាណិជ្ជកម្ម ឬធនាគារ ឬគ្រឹះស្ថានហិរញ្ញវត្ថុ Equity, Subordinated Debt, and Other Capital Instruments Exposures Issued by Commercial Entities or Banks or Financial Institutions	-	-	-	-	-	-
ទ្រព្យសកម្មផ្សេងទៀត/អ៊ិចស្ប៉ូស៊ើក្រៅតារាងតុល្យការផ្សេងទៀត Other assets/Other Off-Balance Sheet Exposures	-	-	-	-	-	-
សរុប **Total**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix 2
Credit Grades by ECAI and Risk Weights
(Articles 15 to 25)

The Institution can use credit grades by ECAI as illustrated in the following tables:

1- Exposures to Sovereigns and Central Banks

Risk Class / Credit Assessment	1	2	3	4	5	Unrated
Standard &Poor's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 and below	
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Risk Weight	**0%**	**20%**	**50%**	**100%**	**150%**	**100%**

2- Exposures to Public Sector Entities (PSEs)

Risk Class / Credit Assessment	1	2	3	4	5	Unrated
Standard &Poor's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 and below	
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Risk Weight	**20%**	**50%**	**100%**	**100%**	**150%**	**100%**

3- Exposures to MDBs

Risk Class / Credit Assessment	1	2	3	4	5	Unrated
Standard &Poor's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 and below	
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Risk Weight	**20%**	**30%**	**50%**	**100%**	**150%**	**50%**

4- Exposures to Deposit-Taking Institutions

Credit Assessment \ Risk Class	1	2	3	4	5
Standard &Poor's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 and below
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below
"Base" Risk Weight	**20%**	**30%**	**50%**	**100%**	**150%**
Risk Weight for Short-Term Exposures	**20%**	**20%**	**20%**	**50%**	**150%**

5- Exposures to Corporates

Credit Assessment \ Risk Class	1	2	3	4	5	Unrated
Standard &Poor's	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 and below	
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ and below	
Risk Weight	**20%**	**50%**	**75%**	**100%**	**150%**	**100%**

Appendix 3
Multilateral Development Banks
(Article 20)

The multilateral development banks (MDBs) that are eligible for a 0% risk weight:

- The World Bank Group: The International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Development Association (IDA);
- The Asian Development Bank (ADB);
- The New Development Bank (NDB);
- The Asian Infrastructure Investment Bank (AIIB); and
- The European Bank for Reconstruction and Development (EBRD).