

Remarks

by

**H.E Chea Chanto, Governor of the National Bank of Cambodia,
In the Signing Ceremony on the Code of Banking Practices
InterContinental Hotel, Phnom Penh, 16 February 2015**



- **Nak Oknha Pung Kheav Se, Chairman of the Association of Banks in Cambodia and Chairman of Board of Director of the Canadia Bank Plc.**
- **Oknha Bun Mony, Chairman of Cambodian Microfinance Association and CEO of Sathapana Limited**
- **Excellencies, Ladies and Gentlemen!**

Today, I have a great pleasure to attend this signing ceremony on the Code of Banking Practices, which is an additional achievement for banking and financial institutions. On behalf of the National Bank of Cambodia and myself, I highly appreciate the efforts of the Association of Banks in Cambodia, Cambodian Microfinance Association, and technical working groups for composing and compiling this Code of Banking Practices to serve as a principle for all banking and financial institutions to follow.

This code of conduct importantly contributes to further building confidence of banking service users on the banking system in Cambodia. Building confidence is a long time process, but that image can be easily damaged in a very short time due to even small distortion occurs in the banking system. The fast development of banking system so far is the result of the growth of public confidence of both domestic and foreign investors. Therefore, all of us have to try our best and to collaborate to maintain these achievements we have made today. I hope that this Code of Banking Practices will protect consumers, improve consistency in banking operations, enhance transparency, develop a better relationship between customers and financial institutions with no bias, increase public confidence, and promote equitable corporate culture for the banking and financial institutions.

Excellencies, Nak Oknha, Ladies and Gentlemen!

Taking this opportunity, I would like to inform you that the banking sector in Cambodia continues to maintain its stability at the suitable growth rate. To maintain macroeconomic stability in the sustainable economic growth and employment creation, the National Bank of Cambodia has effectively retained price and exchange rate stability through prudent monetary policy implementation in line with the development of the Cambodian economy. As a result, inflation rate in 2014 was under 5% in response to the government's target, while the exchange rate against USD was at the stable level around 4,000 Riels per USD.

Along with robust economic growth, the Cambodia's banking sector continues to gradually develop. There are number of key indicators reflecting the development of banking sector in Cambodia: the increase of financial deepening ratio to 63%, the increment of banking assets by 28% in which the increase of deposit and credit to private sector are at the same rate, 31%. Moreover, microfinance sector has crucially contributed to rural development and so far has continuously expanded its operation networks throughout the country. MFI's operations continue to increase noticeably; for instance, its assets grew by 60%; reaching 14% of the total banking assets, while its credit increased by 50% and its deposit doubled.

Recently, some groups, in the name of NGOs, charity associations or individuals, have been providing loans to citizens in the rural areas and have considered themselves as MFIs. These loaning activities are operated without obtaining licenses from the National Bank of Cambodia with high and non-transparent interest rates charging from borrowers. On 2nd February 2015, Ministry of Economy and Finance and the National Bank of Cambodia have published a joint statement to inform the public awareness on this issue. Those NGOs, charity associations or individuals are illegal microfinance operators and are not under the control or ownership of the government at all. Overall, they are solely owned and are operated privately. At the same time, we require all the banks and both licensed and registered MFIs to carefully evaluate the payback capacity of borrowers and to be highly responsible for offering the complete information and term of conditions once providing loans to the borrowers.

Therefore, the signing on the Code of Banking Practices today is another new evidence to show the efforts of the National Bank of Cambodia, as well as the willingness and solidarity among the banking and financial institutions and relevant authorities in promoting consumer protection.

Excellencies, Nak Oknha, Ladies and Gentlemen!

The National Bank of Cambodia, so far, has paid great attention on customer protection for financial service users by strengthening its supervision of banking and financial institutions, surveillance of bank's regulatory compliance, quality of financial reports, and the implementation of the PRAKAS on Transparency in providing credit services of banking and financial institutions, and so forth. Moreover, the Royal Government of Cambodia also has focused on protecting the financial service users, as stated in the Financial Sector Development Strategy 2011-2020.

The meaning of the Code of Banking Practices reflects the protection mechanism for financial service users within two stages 1/- the rights for financial service users to complain banks and financial institutions on their services that they don't like and 2/- if the financial services users do not like the solution at the first stage, they have rights to sue to dispute resolution committee whose membership are one representative from the National Bank of Cambodia, one from the bank association, and one from the independent body. This code of conduct is a flexible document which can be updated in line with real economic development condition and progress in financial sector.

Excellencies, Nak Oknha, Ladies and Gentlemen!

I strongly believe that the strictly implementation of this Code of Banking Practices will result a better achievement in banking and financial sector development to be more competitive, integrated, and effective in maintaining public confidence on Cambodia's banking system. I am pleased to encourage all banking and financial institutions to support and implement this code of conduct successfully and effectively.

Finally, let me wish you good health, prosperity, happiness and success in all endeavors. For the upcoming Chinese-Vietnamese New Year, let me wish you all Happy New Year.

Before promulgating this Code of Banking Practices, I would like to raise an advice from Buddha before he attained Nirvana. He advised, "All people should fulfill their obligation with dignity."

I would like to promulgate this Code of Banking Practices from now on.

Thank You!