

Law on the Organization and Conduct of the National Bank of Cambodia

26 January 1996

As amended by the law on "Amendment Article 14 and Article 57 of the Law on the Organization and Function of the National Bank of Cambodia", NS/RKM/1206/036, dated December 29, 2006.

Title I. General Provisions

Article 1. The National Bank of Cambodia is the "Central Bank" which is an autonomous public entity of a commercial and industrial nature.

Article 2. The Central Bank is a legal entity with full jurisdiction and shall have the capacity to:

1. Lend, borrow and enter into all other contracts
2. Institute legal proceedings and be subject to such proceedings: and
3. For the purpose of its business, acquire, hold, and dispose of property whether movable or immovable.

Article 3. The principal mission of the Central Bank is to determine and direct the monetary policy aimed at maintaining price stability in order to facilitate economic development within the framework of the Kingdom's economic and financial policy.

Article 4. In order to accomplish its mission and to implement this law The Central Bank is empowered to issue decisions, regulations, circulars, and other instructions.

Article 5. The Central Bank shall publish on a regular basis its monetary policy objectives (money-credit-exchange-interest rates) and statistics, including with respect to the money supply, prices, credit, the balance of payments and foreign exchange.

Article 6. The head office of the Central Bank shall be in Phnom Penh. The Central Bank may establish branches and agencies in the Kingdom and representative offices in other countries after obtaining the approval of its Board of Directors.

Title II. General Functions and Duties

Article 7. The Central Bank shall have the following functions and duties:

1. To determine monetary policy objectives, in consultation with the Royal Government and consideration of the framework of the economic and financial policy of the Kingdom;
2. To formulate, implement and monitor monetary and exchange policies aimed at the determined objectives;
3. To conduct regular economic and monetary analysis, make public the results, and submit proposals and measures to the Royal Government;
4. To license, delicense, regulate and supervise banks and financial institutions and other relevant establishments such as auditors and liquidators;
5. To oversee payments systems in the Kingdom, and to enhance interbank payments;
6. To act as the sole issuer of national currency of the Kingdom ;
7. To undertake and perform, in the name of the Kingdom, transactions resulting from the participation of the Kingdom in public international institutions in the banking, credit, and monetary spheres ;
8. To establish the balance of payments ;
9. To participate in the management of external debt and claims ;
10. To participate in the formation and supervision of the money and financial markets ;
11. To licence, delicense, regulate and supervise all those operating in the securities and foreign exchange markets, the market for precious stones and precious metals ;
12. To set interest rates.

Article 8. The Central Bank may open accounts on its books on behalf of :

- State agencies and instrumentalities of the central government notably the National Treasury ;
- Banks and financial institutions licensed by the Central Bank;
- Foreign central banks, and public international financial institutions.

The Central Bank may not open accounts for enterprises, including those owned by the State.

Title III. Autonomy of the Central Bank

Article 9. To accomplish its mission the Central Bank shall be permanently empowered and shall have operating autonomy and shall submit reports of the implementation and results of its mission to the National Assembly and the Royal Government.

The Governor of the Central Bank may address meetings of the Council of Ministers at the invitation of the Royal Government. The Minister or the Secretary of State of the Ministry of Economy and Finance may address meetings of the Board of Directors of the Central Bank at the invitation of the Board.

The Governor or members of the Board shall appear before the National Assembly or standing committee thereof to explain the policies of the Central Bank or to comment on proposed legislation, at the request of the National Assembly.

Article 10. At the end of each half year period the Central Bank shall deliver to the National Assembly and to the Government:

- An assessment in general terms of the economic and financial condition of the Kingdom and a description of, the monetary and exchange policies that the Central Bank proposes to follow during the next semester and for such longer period of time as the Central Bank may decide;
- A review and assessment of the implementation of monetary and exchange policy during the period to which the last preceding semester statement relates.

Article 11. In addition to the above reports the Central Bank shall submit reports to the National Assembly and to the Royal Government on request.

Title IV. Management of the Central Bank

Article 12.

1. The managing organ of the Central Bank is the Board of Directors (herein after referred to as the Board). The Governor shall be Chairman of the Board. The Board shall consist of 7 members, including the Governor, the Deputy Governor and 5 other members, one being a representative of the head of the Royal Government, one a

representative of the Ministry of Economy and Finance, one a member from the real economy, one an academic and one the representative of the National Bank staff. The Governor and the Deputy Governor, shall not be a public servant, a person serving as adviser of a public entity, or a member of the Royal Government, or a member of the National Assembly during their term of office. The above restriction also applies to all other members except the representatives of the head of the Royal Government, the Ministry of Economy and Finance, and the academic who may maintain their civil service status.

2. The Board shall be responsible for :

- establishing the policies for the operation of the Central Bank;
- issuing decisions, regulations, circulars and other directives to govern the business of the Central Bank;
- establishing internal rules and regulations;
- establishing staff statute;
- establishing departments of the Central Bank;
- establishing an audit committee;
- establishing a staff training committee.

2. The Governor shall serve as the chief executive officer of the Central Bank and be Responsible to the Board for the execution of its policy. The Governor shall be responsible for the conduct of the business of the Central Bank and have authority to act in all matters that are not, by this Law or other relevant regulations specifically reserved to the Board. The Governor shall appoint the officers and staff of the Central Bank, and make proposals to the Board on the salaries and benefits for senior staff.

3. The Deputy Governor shall exercise such powers and carry out such duties as the Governor may determine. In the absence of the Governor, the Deputy Governor shall act as Governor.

Article 13. The Governor and the Deputy Governor shall be appointed, replaced and dismissed by a royal decree on the recommendation of the Royal Government.

All other members of the Board shall be appointed, replaced and dismissed by sub decree. These members shall be selected from a list prepared by the Governor with the names of three candidates for each post.

Article 14. [As amended by law NS/RKM/1206/036 dated December 29, 2006]

1. The members of the Board shall be persons of recognized experience or standing in economic and financial matters and shall be no more than sixty five years of age. They shall be appointed for a period of 4 years and shall be eligible for re-appointment. Other than for the Governor, Deputy Governor and the National Bank staff representative, two of the board members, chosen by lot, shall serve for 2 years, from the date of appointment of the first board.

Members of the Board and their family members must not be shareholders of any bank and financial institution regulated by the Central Bank.

2. A member of the Board shall cease to hold office if he or she:
- a. is convicted of a criminal, administrative offence or a breach of economic or commercial law;
 - b. is determined by the Board to have violated the prohibitions of Articles 15 and 16 of this Law;
 - c. is absent for four consecutive meetings, unless due to illness, or in the case of force majeure recognized by the Board;
 - d. resigns by written notice;
 - e. is physically or mentally incapacitated from performing his or her duties;
 - f. is determined to be bankrupt by the courts.
3. Board meetings shall be held not less than once every two months.
4. Board members shall receive an attendance allowance the amount of which shall be fixed by the Board.

5. The Governor and Deputy Governor shall receive base remuneration from the Central Bank in the same amount as a member of the Royal Government.

Article 15.

1. No officer, employee, or member of the Board of the Central Bank shall :

- receive any benefit related to commercial, financial, agricultural, industrial, or other business interest;
- accept directions from these interests in respect of duties to be performed under the law;
- put themselves in a position where their interest conflicts with their duties;
- receive any gift or advantage for themselves or persons with whom they have family, business, or financial connections that diminishes their honesty in their conduct of their duties.

2. Board members shall fully disclose to the Board their significant commercial, financial, agricultural, industrial, or other business interests with which they or members of their immediate family may have, directly or indirectly, at any time, and shall refrain from voting on any matter related thereto. However, they may be qualified to constitute a quorum in accordance with the internal procedures of the Board.

Article 16. Except when under the provision of any law, or when required to do so by any court of law, officers, employees and members of the Board of the Central Bank shall not disclose to any person any material information relating to its confidentially professional affairs which they have acquired in the performance of their duties.

Title V. Capital, Income Allocation, Budget

Article 17.

1. The Central Bank shall have capital in an amount to be determined by sub decree. The amount of capital may be changed when deemed necessary. All the capital

shall be subscribed and held exclusively by the Royal Government and shall not be transferable or subject to encumbrance.

2. Whenever the value of the National Bank's assets on its balance sheet fall below the sum of its liabilities the Royal Government shall transfer within sixty days of publication of such balance sheet to the Central Bank, its government securities to remedy the deficiency. The securities shall be negotiable and shall bear interest at the refinancing rate.

Article 18. The net income of the Central Bank for each financial year shall be determined by the Bank after allowing for the expense of operation of that year and after providing for:

1. Risks, depreciations, and amortization of assets;
2. a contribution to a pension fund, the amount of which to be fixed by the Board;
3. a General Reserve equal to 20% (twenty percent) of net profit after deduction of the amounts in 1. and 2. above;
4. the redemption of government securities held by the Central Bank;
5. investment of a collective fund for the Central Bank to be determined by the Board.

Article 19. Any balance of net income shall then be transferred to the National Budget after deduction of:

- 5% (five percent) for the personnel, excluding the Board;
- 0.5% (zero point five percent), for the board members.

Article 20. All proposed expenditure of the Central Bank shall be reported in an annual budget to be approved by the Board of the Central Bank and submitted for information to the Royal Government and the National Assembly.

Title VI. Financial Relations with Public Entities

Article 21.

1. The Central Bank shall be the sole depository, in the national currency, for the National Treasury. The Central Bank shall receive from the National Treasury and disburse on its behalf, moneys and keep account thereof. Any charges to be levied by the Central Bank for these services shall be agreed by both parties.

2. The foreign exchange receipts of the Treasury shall be sold to the Central Bank and the counter value shall be credited to the central account of the National Treasury in national currency at the prevailing exchange rate.

Article 22. The Central Bank shall be the advisor on monetary and financial matters to the Royal Government

It is the duty of the Central Bank to inform and advise the Royal Government concerning any matter which in its opinion is likely to affect the achievement of its objectives.

Article 23.

1. The Central Bank shall assist in the debt management of the Royal government or public entities by conducting securities operations, including advising on the timing of securities issues and promoting the development of money and capital markets.

2. The Central Bank may agree to act as the agent of the Royal Government or public entities for the following transactions:

- marketing of securities issued by the Royal Government or by a public entity, and acting as a registrar and transfer agent therefor;
- payment of principal, interest and other charges, on such securities.

3. The compensation to be paid to the Central Bank for the transactions described in subparagraph (2) shall be as agreed between the Central Bank and the Royal Government or public entity concerned.

Article 24. The central Bank shall not directly or indirectly extend credit to the Royal Government, including by the purchase in a primary issue of securities issued or guaranteed by the government or by public entities, except in accordance with the provisions of this Title.

Article 25. The Central Bank may temporarily extend credit to the National Treasury at the refinancing rate and a maturity not exceeding three months.

1. For each suextension of credit, there shall be a credit agreement between the Central Bank and the borrower, which shall specify the amount of the credit, its maturity, and the interest rate.

2. Such extensions of credit shall be certificated by negotiable government securities delivered to the Central Bank.

3. The aggregate amount of the outstanding extensions of credit and holdings of securities described under Articles 24 for each financial year shall not exceed 10% (ten percent) of the ordinary domestic budgetary revenues, excluding grants and proceeds from the sale of assets, for the previous financial year.

Article 26. The Central Bank may purchase, sell or repurchase government securities maturing within 90 days which have previously been publicly issued, in open market operations, or in discount operations for, or extensions of credit to, financial institutions.

Article 27. The Royal Government shall consult the Central Bank every year before the budget is finalized with a view to establishing the total amount of credit which the Royal Government and public entities may seek to secure from the Central Bank within the limits prescribed by Article 25.

Article 28. The Central Bank shall participate in the management of both domestic and foreign public debt, including the issue of guarantees in favour of creditors.

Title VII. Exchange Arrangements and Policy

Article 29. The Central Bank shall, in consultation with the Royal Government and in consideration of the framework of the economic and financial policy of the Kingdom, determine and implement the Kingdom's exchange arrangements and policy.

Article 30.

1. The Central Bank shall maintain and manage an external reserve consisting of the following:

- monetary gold;
- foreign exchange in the form of bank notes or coins and bank balances held abroad;
- any internationally recognized reserve asset, including:
 - the entitlement to make reserve tranche purchases from the International Monetary Fund;
 - the Kingdom's holdings of special drawing rights(SDR);
- bills of exchange and promissory notes denominated in such foreign currencies payable at any place outside the Kingdom;
- treasury bills issued by foreign governments;
- securities issued or guaranteed by foreign governments or international financial institutions.

2. The Central Bank shall maintain the international reserve at a level adequate for the international transactions of the Kingdom.

3. The Central Bank shall submit a report to the Royal Government when the official external reserve has declined or may decline so as to jeopardize its adequacy, including an account of the causes and recommendations on measures necessary to remedy the situation. The Central Bank shall make further regular reports to the Government until the situation is remedied.

4. The Central Bank shall be the depository of the official external assets of the Kingdom and is authorised to designate such agents as international financial institutions or foreign central banks or foreign commercial banks with which these assets may be held.

Article 31.

1. The Central Bank regularises the domestic exchange rate and to this effect is authorised to:

- buy, sell or deal in gold coins or bullion or other precious metals and precious stones;
- buy, sell or deal in foreign currencies using for these purposes any of the instruments commonly used by bankers;
- purchase and sell treasury bills and other securities issued or guaranteed by foreign governments and public international financial organizations;
- open and maintain accounts at banks and public international financial organizations abroad;
- open and maintain accounts and act as agent or correspondent for foreign central banks, foreign governments, foreign government's agencies, and public international financial institutions;
- determine the rate at which it will buy, sell or deal in foreign currencies;
- establish limits on the net foreign exchange position of commercial banks and non-bank foreign exchange dealers;
- issue regulations in relation to foreign exchange transactions and in respect of transactions in gold, other precious metals and precious stones;
- declare the official foreign exchange rates for the riel in relation to other currencies, and
- participate in international financial agreements on behalf of the government.

2. The Central Bank may not provide to third parties guarantees which have the effect of fixing future rates of foreign exchange and may not authorise or engage in multiple currency practices.

Article 32.

1. Any net gains in any financial year of the Central Bank arising from any change in the book value of the Central Bank's assets or liabilities denominated in currencies or units of account other than domestic currency, shall be credited to a Special Reserve Account.

2. Any net losses in any financial year of the Central Bank arising from any such change shall be set off against any credit balance in the Special Reserve Account and, if such balance is insufficient to cover such losses, the National Treasury shall issue to the Bank negotiable securities at the refinancing rates of interest to the extent of the deficiency.

3. Neither net gains nor net losses referred to in this article shall be included in the annual income statement of the Central Bank.

4. Any credit balance in the Special Reserve Account at the end of each financial year of the Central Bank shall be applied to the redemption of any securities issued under the provisions of paragraph 2 of this article.

5. No adjustments shall be made to the balance of the Special Reserve Account other than in accordance with the provisions of this article.

Title VIII. Relations with Financial Institutions

Article 33. The Central bank shall be exclusively responsible for the licensing, delicensing and supervision of banks and financial institutions subject to the banking law and the supervision of other institutions as stated in Article 7 of this law. To that end, the Central Bank shall be empowered:

1. to issue such decisions, regulations, and other directives and to take such other actions as it shall deem necessary in order to execute its powers and responsibilities under Title II of this law, through proper licensing and delicensing thereof and supervisory standards and enforcement procedures;

2. to appoint at its discretion, its officers or any other qualified person to regularly inspect any bank or financial institution and to examine its books, records, documents and accounts;

3. to require an officer, or employee of a bank or financial institution to furnish to the Central Bank such information as requested for the purpose of supervision and regulation;

4. to take remedial actions or sanction according to the existing laws if there has been an infraction by a bank or financial institution of its officers or employees with respect to:

- the violation of a provision of the existing laws or regulations of the Central Bank;
- the breach of a fiduciary duty; or
- failure to follow monetary policy measures or prudential regulations.

Article 34. The Central Bank may open accounts for and accept deposits from banks and financial institutions doing business in the Kingdom under such terms and conditions, including the payment of interest and the establishment of charges as it may determine.

Article 35.

1. The Central Bank may prescribe, by publication or by written notice to the main office in the Kingdom of each bank or financial institution, the maintenance of required reserves. Such reserves shall be maintained by way of cash holdings or by way of special deposits in current accounts with the Central Bank.

2. The Central Bank shall prescribe the same reserve ratios for similar liabilities. The total amount of reserves which financial institutions are required to hold shall be fixed relative to deposit and other similar liabilities with clients.

Any such prescription of, or increase in the required reserve ratios shall be effective one month after written notice has been given to banks and financial institutions.

The Central Bank may exclude certain classes of financial institutions from maintaining reserves.

3. The Central Bank may impose on any institution which fails to maintain required reserves a charge at the rate of 1/10 (one-tenth) of the latest refinancing rate set by the Central Bank per day on the deficiency. Such charge may be recovered by deduction from any balance of the institution with the Central Bank.

Article 36.

1. The Central Bank shall determine the procedure and purchase or repurchase from, sell to, discount and rediscount for banks and financial institutions:

- a. bills of exchange and promissory notes drawn or made for bona fide commercial, industrial or agricultural purposes, bearing two or more good signatures one of which must be that of a commercial bank and maturing within 90 days from the date of their acquisition by Central Bank; however, provided that bills of exchange and promissory notes drawn or made for the purpose of financing seasonal agricultural production or marketing of crops may mature within 210 days from the date of their issuing;
- b. any government securities forming part of the public issue and maturing within 90 days from the date of their acquisition;

- c. any private negotiable claims on the money market as well as all bankers claims bearing creditworthy signatures and appearing on a list recognised by the Board;
- d. the Central Bank's own securities.

2. The Central Bank shall fix and publicly announce its minimum rates for rediscounts, advances, repurchases or loans. It may establish differential rates and ceilings for various classes of such transactions or maturities.

Article 37. The Central Bank may grant to commercial banks advances on their current account which are secured by government securities or government guaranteed securities.

Article 38.

1. Each financial institution shall comply with the written directives that the Central Bank may issue to it, collectively or on an individual basis, concerning its balance sheet accounts, off-balance-sheet commitments, and income and expense statement items; provided, however, that such directives may specify only:

- o the minimum capital
- o the minimum amount of net worth of a financial institution
- o prohibitions, restrictions, or conditions and other notifications.

2. Banks and financial institutions that engage in similar activities and that are in comparable financial condition shall be subject to similar regulations.

Article 39.

1. A bank or financial institution must furnish to the Central Bank such information and data as the Central Bank may require for the discharge of its functions and responsibilities.

2. The Central Bank may publish such information and data in whole or in part in aggregate form for classes of banks and financial institutions determined in accordance with the nature of their business, whilst maintaining business confidentiality.

3. The Central Bank shall be responsible for promoting interbank services such as risk centralisation and unpaid loans.

Article 40. In cooperation with commercial banks, The Central Bank may establish a clearing house for the prompt and efficient clearing and settlement of interbank payments.

Title IX. Currency

Article 41. The monetary unit of Cambodia shall be the riel and shall be divided into ten kac and the kac divided into ten sen. The symbol of the riel shall be (៛).

Article 42. The Central Bank shall have the sole right to issue notes and coins denominated in riel, kac and sen.

Article 43.

1. Notes and coins issued by the Central Bank and not withdrawn from circulation shall be legal tender within Cambodia and notes shall be valid for payment of unlimited amount, and coins shall be legal tender for limit amounts to be fixed by the Central Bank.

2. Payment of a sum exceeding a certain amount to be set by the Central Bank may or shall be made by bank entry.

Article 44.

1. The Central Bank shall be responsible for the printing of notes, the minting of coins and related matters, such as the security and movement of unissued notes and coins, and for the custody and destruction, where necessary, of plates, dies and retired notes and coins.

2. The Central Bank shall determine by regulation the various characteristics notably the face value, measures, weights, designs and other features of notes and coins to be printed or minted.

Article 45. With the consent of the Royal Government the Central Bank is authorised to decide to call in and withdraw from circulation, any notes or coins that it has issued on payment of the face value thereof by issuing in exchange therefor other notes or coins; the decision shall be issued in the form of a regulation of the Central Bank and shall

specify the period during which the notes and coins must be presented for exchange and the offices of the Central Bank where they are to be so presented.

Article 46. At the end of the exchange period referred to in Article 45:

1. notes and coins called for in exchange shall, cease to be legal tender;

2. the aggregate amount of notes or coins called in but not presented for exchange shall be deducted from the amount of currency in circulation on the books of the Central Bank and shall be treated as revenue of the Central Bank.

Article 47. Upon surrender by any person to the Central Bank of any notes or coins which it has issued, the Central Bank shall exchange on demand and without charge such notes or coins for other notes and coins of equivalent value.

Article 48. Any reproduction of notes, coins, checks, securities, or payment cards, whether denominated in riel kac or sen or in a foreign currency, and the creation of any objects that by their design imitate notes, coins, checks, securities or payment cards is forbidden without prior written authorisation from the Central Bank.

Article 49. The Central Bank shall directly administer the currency reserve inventory, make issue plans, and ensure the regular supply of notes and coins, in order to meet the Kingdom's currency requirements in quantity and quality.

Article 50. The Central Bank shall withdraw unfit currency which shall be destroyed, and replaced with notes and coins.

Article 51. The Central Bank may decline to exchange notes or coins if their designs are illegible, misshaped or perforated, or if more than 30% (thirty percent) of their surface has been lost. Such currency shall be withdrawn and destroyed without indemnity to the owner, except that, in special cases, the Central Bank may determine whole or partial compensation.

Article 52. Counterfeit notes included in deposits or presented for exchange shall be seized without compensation and reported to the competent authorities.

Article 53. The Central Bank shall not be required to provide any compensation for notes and coins that were lost or destroyed; it may confiscate without compensation any notes that have been altered in their external appearance, in particular notes that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied, or which have been defaced in any other way.

Article 54. The aggregate amount of circulating notes and coins shall be recorded in the Central Bank accounts as liabilities, and will not include notes and coins in the currency reserve inventory.

Title X. Accounts and Audit

Article 55. The financial year of the Central Bank shall commence on January 1 and end on December 31 of the same year.

Article 56. The Central Bank shall:

1. keep books of account and other books and records in which shall be recorded all its financial transactions, which reflect accurately its financial condition in accordance with generally accepted accounting principles applicable to central banks;

2. prepare and publish a monthly summary statement of its activities;

3. within six months after the close of each financial year, submit to the Government and the National Assembly a copy of its annual accounts together with a report on its operations and on monetary and economic conditions during the year.

Article 57. [As amended by law NS/RKM/1206/036 dated December 29, 2006]

The financial records of the Central Bank shall be verified by the Board of the National Bank of Cambodia and the National Audit Authority.

Title XI. Miscellaneous Provisions

Article 58. The assets, property, income operations and transactions of the Central Bank shall be exempt from all duties and taxes.

Article 59. The Central Bank shall not make equity investments in banks or financial institutions or in industrial or commercial enterprises; however, provided that the Central Bank may make equity investments in an aggregate amount not exceeding 5% (five per cent) of its capital and reserves in enterprises whose activities are relevant to the Central Bank function such as appraising, collateral control, data processing and data transmission, financial printing, clearing of payments, courier services, or liquidating property.

Article 60. The Central Bank shall not acquire by purchase, lease or otherwise any real right in or to immovable property except insofar as it is necessary for the conduct of its business and requirements incidental to the performance of its functions and to carry out its social responsibilities towards its staff.

Nothing in this section shall prevent the acquisition by the Central Bank in the course of satisfaction of debts due to it of any interests referred to in Article 59 or in this article.

Article 61. All decisions, regulations, circulars, and other directives issued by the Central Bank that are intended for general application to banks and financial institutions shall be published in the Journal Official of the Kingdom and shall take effect on the date of such publication or on such later date as such decisions, regulations, circulars and other directives shall specify.

Article 62. For the purpose of implementing the provisions of this law, the Central Bank may institute civil actions ancillary to criminal actions at any stage of the proceedings.

Article 63. The limitation on credit in subparagraph 3 of Article 25 of this law shall apply to credit extended after the effective date of this law.

Title XII. Penalties

Article 64. Any person who does not accept payment in currency that is legal tender in the Kingdom shall be liable for a fine of 100 times the amount of the payment.

Article 65. Any person who counterfeits coins or bank notes which are legal tender in the Kingdom, or which are legal tender in a foreign State, shall be liable to imprisonment from 20 years to life.

Such materials or tools shall be confiscated and retained as state property or destroyed.

Article 66. Any person who knowingly conveys, distributes or retains for distribution any counterfeit coins or bank notes shall be liable to imprisonment from 10 to 20 years.

Article 67. Any person who uses or retains, without an authorisation granted by the Central Bank, materials or tools which are ordinarily used for minting coins or printing bank notes shall be liable to imprisonment from 5 to 10 years. Such materials or tools shall be confiscated and retained as state property or destroyed.

Article 68. Any person who receives counterfeit bank notes or coins, believing they are legal tender, and who distributes such notes and coins after learning they are counterfeit, shall be liable for a fine of 100 times the amount involved.

Article 69. For the purposes of the administration of this law and in the proper performance of its functions under this law, the Central Bank may call for such information as it may require from any person, including from any bank or financial institution and its affiliates.

Any person who fails to supply any information called for by the Central Bank under this article or who knowingly supplies any false or misleading information shall be guilty of an offense and liable for a fine from **1,000,000.00ƛ (one million riels) to 10,000,000.00ƛ (ten million riels) and/or imprisonment from 1 to 5 years.**

Article 70. Any person who manages a bank or financial institution, or engages in operations of banking nature including credit operations, brokering or dealing in foreign exchange, or the receipt of moneys or effecting means of payment, share dealing, trading in gold, precious metals, precious stones, without being granted a required authorisation by the Central Bank therefor, shall cease operations upon an injunction of the Central Bank.

Otherwise such person shall be liable for a fine from **1,000,000.00 ៛ (one million)** to **10,000,000.00 ៛ (ten million riels)** and/or to imprisonment from **1 to 5 years**.

Article 71. Any person who violates Article 15.1 and Article 16 of this Law shall be liable to a fine from **1,000,000.00 ៛ (one million)** to **10,000,000.00 ៛ (ten million riels)** and/or to imprisonment from **1 to 5 years**.

Title XIII Concluding Provisions

Article 72. All provisions contrary to this law are hereby repealed.

Signature: **NORODOM SINHANOUK**

Law on Foreign Exchange

22 August 1997

Title I: General Provisions

Article 1. Any foreign exchange operations and, in general, any operations carried out between residents and nonresidents are subject to the present law when they related to:

- payments for commercial transactions,
- transfers or
- capital flows, including investments.

Article 2. For the enforcement of this law, the following shall be considered as foreign exchange:

- payment instruments or securities denominated in foreign currency,
- raw gold, raw precious metals, uncut precious stones.

Article 3. The following shall be considered as residents:

- individuals, regardless of their nationality, who have had their main professional activity or their main residence in the Kingdom of Cambodia for a period of and over one hundred and eighty two days (182 days), with the exception of foreign civil servants on diplomatic or similar assignments,
- legal entities incorporated under local law and branches of legal entities incorporated under foreign law that are established in the Kingdom of Cambodia,
- any Cambodian civil servants on foreign assignments, regardless of the length of their stay.

Article 4. The following shall be considered as nonresidents:

- individuals of Cambodian nationality, who have had their main professional activity or their main residence abroad for a period of and over one hundred and eighty two days (182 days),
- foreign individuals, who have had their main professional activity or their main residence in the Kingdom of Cambodia for less than one hundred and eighty two days (182 days),
- legal entities, incorporated under local law, establish abroad and overseas branches of legal entities incorporated under local law,
- foreign civil servants on diplomatic or similar assignments in the Kingdom of Cambodia.

Title II: Bank Intermediation

Article 5.

1. There shall be no restrictions on foreign exchange operations through book entry including purchases and sales of foreign exchange on the foreign exchange market, transfers, all kinds of international settlements, and capital flows in foreign or domestic currency, between Cambodia and the rest of the world or between residents and nonresidents. However, such operations shall be undertaken solely through authorized intermediaries.

2. Only banks permanently established in the Kingdom of Cambodia shall be considered as authorized intermediaries.

3. Authorized intermediaries shall be required, under conditions established by regulations, to provide the Central Bank on a regular basis with periodic statements, by type of transfers or settlements and of outflows and inflows of capital carried out between the Kingdom of Cambodia and the rest of the world, according to the time set by the Central Bank.

3. Any export of cash in foreign currency by authorized intermediaries shall be subject to prior declaration to the Central Bank.

4. The manual money changers who have fixed or moving counter may exercise their exchange transactions with the prior authorization of the Central Bank.

Article 6. In case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, imposing certain temporary restrictions on the activity of authorized intermediaries, particularly on the transactions stated in Article 5 of the present law, or their foreign exchange position, or any loans in domestic currency extended to nonresidents. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval.

Article 7. Residents may hold foreign currencies freely, both in form and location of such holdings inside the country. Nevertheless, in case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, suspending temporarily the enforcement of this provisions. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval.

Title III: Current Operations

Article 8. Exporters or importers of goods and services shall make payments for their commercial transactions with the rest of the world through authorized intermediaries.

Article 9. Authorized intermediaries may be required by the Central Bank to submit proof of payment for imports by banker's order in support of their applications to purchase foreign exchange, and later be also required to provide various administrative evidence confirming the entry of goods into the country.

Article 10. Since the collection is made, the proceeds from export of goods or services shall be credited to the exporter's account with the domiciled bank in accordance with Article 8 of the present law.

Article 11. Counterpart funds in domestic currency from the local marketing of products imported on the basis of external borrowings or grants must be credited to the National Treasury's account with the Central Bank, in accordance with procedures to be defined by mutual agreement between the National Treasury and the Central Bank.

Article 12. Residents may hold foreign currencies freely, both in form and location of such holdings inside the country. Nevertheless, in case of foreign exchange crisis, the Central Bank may issue regulations to be implemented for a maximum period of 3 months, suspending temporarily the enforcement of this provisions. In case of having to prolong the scheme, the Central Bank together with the Ministry of Economy and Finance shall submit a request to the Head of the Royal Government for approval. The import or export of raw gold, uncut precious stones or other raw precious metals shall be free, in accordance with point 1 of Article 5 of the present law, however, shall be subject to prior declaration to the Central Bank if the value of each transaction equals or exceeds ten thousand US dollars (USD 10,000).

Article 13. The export or import of the means of payment equaling or exceeding ten thousand US dollars (USD 10,000) in foreign exchange or the equivalent amount in domestic currency by a traveler shall be declared to the customs officers at border crossings of the Kingdom of Cambodia.

The export of cash in excess of the limit set by the regulation of the Central Bank shall be subject to prior examination by the Central Bank.

The Customs House shall transmit a copy of each such declaration to the Central Bank on a monthly basis.

Title IV: Investments - Capital Flows

Article 14. The capital flows related to foreign investment in the Kingdom of Cambodia shall be governed by the Investment Law of the Kingdom of Cambodia.

Article 15. In so far as liquidation of foreign investment takes place in accordance with the provisions of the Investment Law of the Kingdom of Cambodia, proceeds from said liquidation may be transferred freely.

Article 16. Investment made abroad by resident for an amount equaling or exceeding one hundred thousand US dollars (USD 100,000) shall be subject to prior declaration to the Central Bank.

Article 17. Transfers relating to investment or liquidation of investment shall be made through authorized intermediaries as stated in Article 5 of the present law.

Subsequently, the authorized intermediaries shall report to the Central Bank the amount of each transfer equaling or exceeding one hundred thousand US dollars (USD 100,000).

Title V: Other Capital Flows

Article 18. Loans and borrowings, including trade credits may be freely contracted between residents and nonresidents, provided that the loans disbursements and repayments thereof are made through authorized intermediary.

Article 19. The capital flows resulted from those operations (settlements of import and export of goods or services, transfers, investment, loans and borrowings) shall include in the bank periodic statements in accordance with the provisions as stated in point 3 of Article 5 of the present law. Such capital flows shall be classified by category of each operation and the professional secrecy shall be respected.

Title VI: Penalties

Article 20. Authorized intermediaries shall be responsible, with caution, for ensuring compliance with the provisions set forth in the present law or in regulations of the Central Bank, concerning the operations undertaken by themselves or placed under their control.

Authorized intermediary who fails to compliance with the provisions of the above paragraph shall be punished in accordance with the existing law.

Article 21. Any person who violates point 3 or point 4 or point 5 of Article 5 or violates Article 17 of the present law shall be liable for imprisonment from one year to five years and for a fine from one million riel (1.000.000) to ten million riels (10.000.000), or any one of these two punishments.

Article 22. Any person who violates Article 11 or paragraph 1 of Article 13 of the present law shall be liable for a fine of ten per cent (10%) of the amount involved.

Article 23. Any person who violates Article 12 or Article 16 of the present law shall be liable for a fine of twenty per cent (20%) of the amount involved.

Article 24. Any person who violates paragraph 2 of Article 13 of the present law shall be liable for a fine from one million riels (1.000.000) to ten million riels (10.000.000). Materials involved shall be confiscated and retained as state property.

Article 25. Any person who violates point 1 of Article 5 or Article 8 or Article 18 of the present law shall be liable for a fine of fifty per cent (50%) of the amount involved.

Title VII: Concluding Provisions

Article 26. All provisions contrary to this law are hereby repealed.

In the name and on behalf of the King
Acting Chief of State
CHEA SIM