PRAKAS
ON
LICENSING OF FINANCIAL LEASE COMPANIES

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Chapter I
General Provision

Article 1.- Objective
The purpose of this Prakas is to set up, promote and develop financial lease industry in the country, as well as to strengthen the supervision over and administration of financial lease companies by providing a guidance for the licensing and regulation of companies engaged in financial lease.

Article 2.- Scope
This prakas covers financial lease companies operating in the Kingdom of Cambodia. Financial lease companies refer to institutions solely engaging in the financial lease business.

Article 3: Registered Capital
The minimum registered capital of a financial lease company is KHR 200,000,000 (two hundred million riel) and the registered capital shall be the paid-in money.

Chapter II
License Application Procedures

Article 4: License Application

1. No person, whether natural or legal, shall carry on financial lease business unless the person holds a license issued by the National Bank of Cambodia.

2. The application for a license shall be drawn up by a duly authorized person (manager or person expressly empowered to such effect) and shall indicate the following:
   a. Funding agreement or shareholder agreement.
   b. Name or company’s name
   c. Registered address of the head office, or of the branch in Cambodia in the case of a foreign company.
   d. Legal form and the Articles of Association or other founding instrument.
   e. Type of securities representing the capital, and connection between the holding of such securities and the exercise of voting rights.
   f. Amount of authorized and paid-in equity capital.
   g. Distribution of shares and voting rights, and possible agreements between shareholders acting in concert with a view to directing the policy of the institution.
h. Capital contributors which will hold 5% (five percent) or more of the voting rights must provide the information listed in article 13 below.

i. Identity of at least two persons responsible for the effective direction of the finance leasing business. These designated managers must fill in the curriculum vitae and questionnaire appended in Annex II and be attached a copy of criminal records.

j. Identity of the decision-making person. This information must be supplemented by curriculum vitae and a statement certifying the person concerned is not subject to the prohibitions set forth in Article 14 of this Prakas and the person should have at least three years of lease and credit business experience.

k. If the legal entity for which the application is made has already been formed, provide a description of its business and certified copies of its audited financial statement for operations in any of the previous three years.

l. Satisfactory evidence of

- Risk management processes: risk identification, measurement, monitoring and control.

- Plans for controlling the following:
  - Liquidity, interest rate, and maturity risks (asset and liability management);
  - Credit risk;
  - Operational risk;
  - Market risk;
  - Asset Risk;
  - Documentation Risk;
  - Concentration Risk and;
  - All other risks to which the financial lease company will be exposed when engaged in the leasing activities envisaged by the business plan.

**Article 5.- Any Change Requested**

A financial lease company shall notify the National Bank of Cambodia in the following cases:

a. change of name;

b. change of organizational form;

c. adjustment of business scope;

d. change of registered capital;

e. modification of articles of association;

f. change of registration address;

g. change of directors or senior managers;
h. merger or division; or
i. any other matter prescribed by the National Bank of Cambodia.

Chapter III
License Approval and Related Fee

Article 6: Principle Approval

The National Bank of Cambodia shall provide written notification of its decision within 3 months from the receipt of complete set of application. Where appropriate, the National Bank of Cambodia shall set out the specific conditions and the timetable for the enforcement of the principle approval letter. If the set conditions have not been met upon expiry of the deadline and if no extension has been requested, the principle approval becomes void.

Article 7: License Approval

A Financial lease company must fulfill all conditions set forth in the principle approval letter before receiving license from the National Bank of Cambodia.

Article 8: Validity of a License.

A financial lease company’s license is valid for a period of 5 years (five years), from the approval date and it can be renewed.

Article 9: Processing and License Fees.

The Financial lease companies shall pay a processing fee of KHR 500,000 (five hundred thousand riels) upon submission of the application for a license.

The annual license fee shall be paid before January 15 as follows:

- KHR 4,000,000 (four million riels) for a financial lease company head office,
- KHR 2,000,000 (two million riels) for each branch of a financial lease company.

For institutions established during the year, the license fee shall be calculated on a pro rata basis for the remaining period to the year’s end.

Chapter IV
Prudential Rules

Article 10: Capital Deposit.

Applicants shall pay up 100% (one hundred percent) of registered capital into an account open with the National Bank of Cambodia prior to commencement of operations.

Each licensed financial lease company shall maintain an amount, bearing no interest, equal to 5% (five percent) of its registered capital in a permanent account with the National Bank of Cambodia.

The National Bank of Cambodia will only reimburse the capital deposit to a licensed financial lease company if it is liquidated and has no other liabilities.
Article 11: Reporting Requirements.

A licensed financial lease company shall comply with reporting requirements as follow:

1. A financial lease company shall make information disclosure in accordance with related accounting standards for business enterprises and the related provisions of the National Bank of Cambodia;
2. A financial lease company shall prepare balance sheets, profit and loss statements and other statements as required by Supervisory Authority. The legal representative and other direct handlers shall be responsible for the authenticity of the statements provided;
3. A financial lease company shall submit to the National Bank of Cambodia a monthly report on associated transaction within 15 days of the following month.
4. A financial lease company is required to submit an annual audited report by auditor approved by the National Bank of Cambodia within 4 months as of the end of each accounting year.

Article 12: Prudential Regulation

Financial lease companies shall comply with prudential regulations set forth by the National Bank of Cambodia.

Chapter V
Ownership Structure and Governance

Article 13.- Capital Contributors

Capital contributors must provide the following information to the National Bank of Cambodia:

1. identity of the capital contributor:
   a. In the case of a legal entity, indicate the business name, legal form, address of the head office, audited financial reports, Articles of Association, and other information required by the Supervisory Authority.
   b. In the case of an individual, state his or her full name, date and place of birth, nationality, address and other relevant documents.
2. amount and percentage of the proposed participation and its equivalent in voting rights. Describe in detail the legal and financial arrangements for the acquisition of the shares. If the contributor is an individual, indicate precisely the origin of invested funds.
3. percentage of ownership of share capital of all capital contributor, if needed:
   a. state the distribution of the share capital of the parent company and of intermediate holding companies (give percentages in terms of shareholdings and voting rights):
   b. list the main managers of the capital contributor.
4. if the capital contributor is part of a group, capital contributor shall:
   a. provide a description of the main entities of said group together with an organization chart;
b. Indicate whether the capital contributor has significant equity holdings in other credit institutions both local and oversea.

5. possible relations between capital contributor and the companies with financial activity such as bank, financial lease company or microfinance institution.

6. internal and external audit procedures of the capital contributor.

7. record of offenses of the capital contributor over the last ten year, if any.

8. capital contributor’s objectives for the acquisition of an equity holding in the financial lease company applying for a license and give all relevant information.

9. significant business relations between the capital contributor and the applicant.

10. main financial lease relations of the capital contributor in Cambodia.

11. accounts of the capital contributor or its parent company for the last three years and a forecast for the current year (including consolidated information if any). If the capital contributor is a financial institution, furnish information on the main prudential ratios.

12. corporate governance (organizational chart, general assembly of shareholders, the board of directors, the board of supervisors and senior managers) by assigning clear responsibilities to ensure independent operation and effective check and balance as well as efficient policy-making, incentive and constraint mechanism.

13. rules for internal control policies and system.

**Article 14.- Capacity of Directors and Managers**

No one may be member of a board of directors or supervisory board or a manager of a licensed entity, or either directly or through an intermediary, direct, manage or run a licensed entity in any capacity, or be authorized to sign on behalf of such an institution if he:

1. has been convicted of:
   - a crime,
   - theft, fraud or breach of trust,
   - misappropriation when acting as a public depository,
   - extortion of funds or securities, criminal bankruptcy
   - usury,
   - money laundering,
   - forgery and / or the use of forgeries,

2. has been sentenced to a period of imprisonment for issuing bad checks,

3. has been convicted by a foreign court of law of one of the crimes or offenses listed in sections 1 and 2 above,

4. has been convicted in Cambodia or abroad for personal bankruptcy, receivership, or liquidation of assets,

5. has been relieved of his duties as a law official by virtue of a court ruling,

6. has been involved in a personal capacity in the management of a covered entity whose license has been withdrawn following a disciplinary action.
Each of the directors and managers expected to be appointed must provide at least the following information by filling in the curriculum vitae and questionnaire appended in Annex II.

Chapter VI

Enforcement Actions and Penalties

Article 15.- Regulatory Powers of the Supervisory Authority

1. The National Bank of Cambodia shall license, de-license, regulate, supervise and inspect the business of financial lease companies and may issue orders and directions as may be necessary.

2. The National Bank of Cambodia may suspend or revoke the license granted to a financial lease company for any one or more of the following reasons:

   a. the company has not commenced business within three months of the grant of license
   b. the company has violated any law or regulation governing the operation of the company;
   c. the company is unable to effectively carry on finance leasing activities;
   d. the company voluntarily terminates its operation after receiving approval for such termination;
   e. the company ceases to carry on finance leasing business in Cambodia;
   f. the company is insolvent or is subject to bankruptcy or liquidation proceedings or a receiver of its assets has been appointed; or

Article 16.- Measures against Finance Leasing Companies

1. If a financial lease company has violated the provisions of the Law on Financial Lease and regulations issued by the National Bank of Cambodia, the National Bank of Cambodia shall impose disciplinary sanction on the company according to the Article 35 of the Law on Financial Lease.

2. If a financial lease company goes against the related provisions in the present Prakas, the National Bank of Cambodia may order it to make corrections within a fixed period; if it fails to do so within the fixed period, or its act seriously endangers its stable operation or damages lawful rights and interests of clients, the National Bank of Cambodia shall, by considering the specific situations, adopt such supervisory measures as business suspension or restriction of shareholders' rights, etc. in accordance with existing regulations.

Article 17.- Transactional Sanctions

In addition to the disciplinary sanction, the National Bank of Cambodia shall impose transactional sanctions:

1. Financial lease companies which do not comply with reporting deadline requirement will be subject to the following fines:
a. For report:

<table>
<thead>
<tr>
<th>No. of days late</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>1 to 5 days</td>
<td>KHR 50,000 (fifty thousand riels) per day</td>
</tr>
<tr>
<td>6 to 10 days</td>
<td>KHR 300,000 (three hundred thousand riels) per day</td>
</tr>
<tr>
<td>11 to 15 days</td>
<td>KHR 700,000 (seven hundred thousand riels) per day</td>
</tr>
</tbody>
</table>

- From more than 16 days, financial lease companies will be subject to a written warning and public announcement.

b. For replies letters and other information:

<table>
<thead>
<tr>
<th>No. of days late</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5 days</td>
<td>KHR 50,000 (fifty thousand riels) per day</td>
</tr>
<tr>
<td>6 to 10 days</td>
<td>KHR 300,000 (three hundred thousand riels) per day</td>
</tr>
</tbody>
</table>

- From more than 11 days, financial lease companies will be subject to a written warning and public announcement.

2. Infringement of the National Bank of Cambodia’s regulations will be subject to a fine of KHR 1 million (one million riels) per day starting from the enforcement date imposed by the National Bank of Cambodia.

Chapter VII
Final Provision

Article 18.-

Any person or company engaged or is engaging in financial lease business without license shall apply for a license from the National Bank of Cambodia within 6 months (six months) from the date this Prakas comes into effect.

Article 19.-

The General Secretariat, the General Directorate of Supervision, the Technical General Directorate, the General Inspection, General Cashier, all departments of the National Bank of Cambodia, and Financial Lease Companies under the National Bank of Cambodia’s supervisory authority shall strictly implement this Prakas.

Article 20.-

This Prakas shall have effect from this signing date.

Phnom Penh, 27 December 2011

The Governor

Signed and Sealed: Chea Chanto