



KINGDOM OF CAMBODIA
NATION RELIGION KING

NATIONAL BANK OF CAMBODIA

Unofficial Translation

Number... B7 017. 326 Prokor...

PRAKAS
ON
GRANTING CERTIFICATE OF RURAL CREDIT INSTITUTION

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/0515/417 of May 11, 2015 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 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 promulgating the Law on Banking and Financial Institutions;
- With reference to Prakas No B8-98-385 Prokor dated July 20, 1998 on Organizational Structure of the National Bank of Cambodia and functions-duties of all departments of the National Bank of Cambodia;
- With reference to Prakas No B1-010-194 Prokor dated November 26, 2010 on the amendment of Article 3, Article 4, Article 5, Article 12 and Article 13 of Prakas on Organizational Structure of the National Bank of Cambodia and functions-duties of all departments of the National Bank of Cambodia;
- Pursuant to the recommendation made by the National Bank of Cambodia Management meeting on September 18, 2017

Decides

Chapter 1

General Provision

Article 1.-

The purpose of this Prakas is to set forth conditions for granting a certificate as Rural Credit Institution (RCI) hereinafter referred to as "Institution".

Article 2.-

This Prakas aims at strengthening the effectiveness of oversight and supervision of institution providing small credits.

Article 3.-

This Prakas is applicable to the institutions under the National Bank of Cambodia's supervisory authority.

Chapter 2

Procedures for Application

Article 4.-

Anyone who intends to provide small credit shall obtain prior approval from the National Bank of Cambodia (NBC). The institution is not allowed to provide services other than small credit unless otherwise permitted by the NBC.

Article 5.-

Anyone who intends to apply for a certificate as RCI from the NBC shall fulfill the following conditions:

1. Certificate of the company as public limited company at the Ministry of Commerce
2. Memorandum and Articles of Association of the institution
3. Organizational Structure of institution
4. Shareholders' agreement, shareholding and voting rights
5. Document certifying capital
6. CV of shareholders, board of directors and management
7. Credit Policy
8. business plan for 3 (three) years and
9. Other documents required by the NBC.

Article 6.-

The Institution shall have a minimum registered capital of KHR 200,000,000 (two hundred million riels). Before commencing its operation, the institution shall pay 100% (one hundred percent) of registered capital into an account with NBC.

The institution shall deposit 5% (five percent) of its registered capital as capital guarantee into its account maintained with the NBC.

Article 7.-

The institution shall obtain prior approval from the NBC, in case:

1. Opening a new branch
2. Changing the name of the institution
3. Increasing or decreasing of the registered capital
4. Changing Memorandum and Articles of Association
5. Changing address of the institution
6. Changing board of director or management

7. Merging, transferring, or selling partially or in full of shares or
8. Any change, revision, and other issues required by the NBC.

Chapter 3

Certificate Granting

Article 8.-

The NBC shall notify in writing of its decision whether to grant certificate or not within 3 (three) months from the receipt of full application.

In the case that the NBC decides to grant certificate, the NBC will issues the Approval in Principal Letter with conditions and the letter will be valid for 6 (six) months. Once the obligations mentioned in the letter were fulfilled, the Institution shall apply for Certificate from the NBC.

If the obligations were not fulfilled, the Approval in Principal Letter shall be void.

Article 9.-

Certificate is valid for 3 (three) years and can be renewed. Institution shall apply for renewal at least 3 (three) months before expiry of the certificate.

Article 10.-

Annual fee of the certificate shall be paid before January 15 of each year:

- For headquarter: KHR 2,000,000 (two million riels)
- For each branch: KHR 1,000,000 (one million riels)

For Institution established during the year, the annual fee shall be calculated:

- Quarter 1: Pay in full
- Quarter 2: Pay for three quarters
- Quarter 3: Pay for two quarters
- Quarter 4: Pay for one quarter

Article 11.-

The institution shall pay other fee as follow:

- Application: KHR 500,000 (five hundred thousand riels)
- Changing Memorandum and Articles of association: KHR 500,000 (five hundred thousand riels) per page
- Changing certificate: KHR 2,000,000 (two million riels)
- Transferring shares, increasing or decreasing registered capital: Minimum KHR 400,000 (four hundred thousand riels) or 0.5% of value or amount of share transferred, increased or decreased.

Article 12.-

Institution which is rejected or revoked certificate by the NBC shall cease their activities within 6 (six) months after receiving notification from the NBC.

Chapter 4

Reporting Requirement and Supervision

Article 13.-

Institution shall disclose information and reports as the following:

1. Disclose information in accordance with local Cambodian accounting standard and the NBC's regulations.
2. Submit its quarterly reports and other reports as required by the NBC:
 - Statement of Assets and Liabilities
 - Statement of Profit and loss
 - Report on loans by sector
 - Report on loans by currency
 - Report on loan classification
 - Report on network information
 - Report on Interest Rate
 - Other reports required by the NBC

The reports shall be submitted to the NBC no later than 15 days of the following quarter. Institution shall responsible for the accuracy of all the report.

Institution shall appoint external auditor which is accredited by the NBC to audit its annual financial statements.

On-site Supervision can be performed with or without notice.

Article 14.-

The Institution shall calculate interest as determined by the NBC.

The institution shall inform its customer in advance about interest rate, interest calculation, fees and charges, or terms and conditions of loans. Interest charged on any loan shall be calculated taking into account the repayment of principle already made on that loans.

The Institution shall disclose its interest rate on loan and its annual interest rate in the loan contract and repayment schedule.

The institution shall provide loan with transparent, fair, reasonable, and responsible manner. The Institution shall make sure that advertising and promotional literature is fair, clear and not misleading.

Article 15.-

The institution shall treat customer's information confidentially, unless otherwise specify by separate regulation.

Chapter 5

Shareholding Structure and Governance

Article 16.-

Shareholders shall provide the following information:

1. Identification of shareholders:
 - In the case of a legal entity: Company business name, legal form, address of the headquarters, Memorandum and Articles of Association, audited financial statements...etc.
 - In the case of an individual: Full name, date and place of birth, nationality, current address, criminal record and other relevant documents.
2. Percentage of the proposed shareholding and voting rights. Shareholders shall indicate the sources of their capital
3. The relation of the shareholders and the companies associated with financial activities such as banks, leasing companies and Microfinance institutions.
4. Other information required by NBC.

Article 17.-

No one may be member of a board of director or manager or management of the institution, either directly or through an intermediary, or be authorized to sign on behalf of such an institution if he:

1. has been convicted of
 - a crimes,
 - theft, fraud or breach of trust
 - misappropriation when action as a public depository,
 - extortion of funds or securities, bankruptcy
 - usury
 - money laundering or financing of terrorism
 - 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 point 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.

Board member, manager and management shall be approved in advance by the NBC and they shall provide information in accordance with an annex of the Prakas.

Chapter 6

Penalty

Article 18.-

The NBC shall impose transactional penalties as the following:

1. For summiting report, replying letters and supplying information, the institution shall be fined KHR 50,000 (fifty thousand riels) per day for the late submission from 1 to 15 days and KHR 100,000 (one hundred thousand riels) per day for the late submission from 16 days.
2. The Institution shall be fined for the late payment of its annual fee for KHR 100,000 (one hundred thousand riels) per day for the period up to 30 (thirty) days. In case the Institution fails to pay this annual fee, the Institution shall be subjected to more serious penalties and the certificate is withdrawn.
3. The institution which does not comply with injunction and/or breach existing regulations shall be fined KHR 500,000 (fifty thousand riels) per day starting from the effective date determined by the NBC.

Article 19.-

The NBC may suspend or revoke the certificate, if:

- The Institution does not commence its business within 6 (six) months after receiving certificate
- The Institution seriously violate the existing laws or regulations
- The institution voluntarily cease its operation after obtaining approval from the NBC
- The Institution is insolvent, bankrupt and in the liquidation process or
- The Institution provides report or discloses inaccurate information to the NBC which seriously mislead the analysis and evaluation of the financial position of the institution.

Chapter 7

Transitional Provision

Article 20.-

The Institution which received certificate shall fulfill its capital paid up as determined in Article 6 of this Prakas no longer than 6 (six) months after the Prakas is in force.

Article 21.-

The Institution may request for license as Microfinance Institution if the institution:

- operated as Rural Credit Institution for at least 3 (three) years
- has paid up capital in accordance with relevant Prakas on minimum capital requirement for microfinance institution
- has a good governance and internal control
- has a sound financial position
- has a stable profit for at least 3 (three) consecutive years from its operation
- has an efficient and effective information system commensurate with its operation and
- has fulfilled other conditions as determined by the NBC.

Article 22.-

Institution that contravenes any provisions of this Prakas shall be subjected to penalty as specified in Article 52 of the Law on Banking and Financial Institutions.

Chapter 8

Final Provision

Article 23.-

The Prakas No B7-02-49 Prokor, dated February 25, 2002 on Registration and Licensing of Microfinance Institutions is hereby repealed.

Article 24.-

The General Secretary, the General Director of Banking Supervision, The General Director of Central Banking, the General Cashier, the General Inspector, and Directors of all Departments of the National Bank of Cambodia, and Banking and Financial Institutions under the supervisory authority of the National Bank of Cambodia shall strictly implement this Prakas.

Article 25.-

This Prakas shall have effect from the signing date.

Phnom Penh, October 25, 2017

The Governor

Signed and sealed: **Chea Chanto**

To:

- As stated in article 24 "for information"
- Files- archives

Cc:

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

Phnom Penh, Date/Month/Year

(To be sent to the Governor of the National Bank of Cambodia)

Objective : Request for certificate as Rural Credit Institution

Reference : Prakas N^o B7-017-326 Prokor dated on October 25, 2017 on Granting Certificate of Rural Credit Institution

According to the above objective and reference, I would like to inform your Excellency Governor that (Name of the company) has been registered on (Date). In addition, our paid-up capital is (Amount) and our company has complied with the conditions set forth in the above Prakas for the purpose of providing small credits.

I would like to attach herewith the documents listed below:

1. Certificate of the company as public limited company at the Ministry of Commerce;
2. Memorandum and Article of Association of the institution;
3. Organizational Structure of the institution;
4. Shareholders' agreement, shareholding and voting rights;
5. Document certifying capital;
6. Credit Policy;
7. Business plan for 3 (three) years;
8. CV of shareholders, board of directors and management attached with professional certificate and working experiences, etc;
9. Identification card or passport and Criminal Record of shareholders, board of directors and management and
10. Work Permit in Cambodia for shareholders and management if he/she is non-resident.

I undertake that the information and documents are complete and I am aware that it is an offense to provide any false information.

Please, your Excellency Governor accepts my sincerest respect.

Sign and Seal
(Company representative)