PRAKAS
ON
THE LICENSING OF MICROFINANCE INSTITUTIONS

********
As amended by the following Prakas B7-07-133 dated August 27, 2007 on Microfinance Institutions’ Solvency Ratio, B7-06-209 dated September 13, 2006 on Amendment to of Prakas on Licensing of Microfinance Institutions, and B7-02-49 dated February 25, 2002 on Registration and Licensed of Micro Finance Institutions.

Chapter I
General Provisions

Article 1 [Repealed by Prakas B7-02-49 dated February 25, 2002].

Article 2

A licensed MFI shall only conduct banking operations as defined in Article 2 of the Law on Banking and Financial Institutions. Credit services and savings shall be deemed to be permitted there under, unless prohibited by this Prakas or the terms of the decision granting the MFI license.

All MFIs, nongovernmental organizations, and associations, whether licensed or registered, shall be excluded from:

(a) Leasing, derivatives and dealing in gold, precious metals, raw materials and commodities, whether spot and forward.
(b) Providing payment services through checking accounts or swap or forward dealings in foreign currencies.

Article 3

An applicant for an MFI license shall be incorporated as a limited liability company or a cooperative.

Article 4

A licensed MFI shall have a minimum registered capital of KHR 250 million.

Chapter II
Procedure for Submitting a License Application

Article 5

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) Name or business name of the institution.
(b) Registered address of the headquarters.
(c) Legal form and the Articles of Association or other founding instrument.
(d) Type of securities representing the capital, and connection between the holding of such securities and the exercise of voting rights.
(e) Amount of authorized and paid-in equity capital.
(f) Distribution of shares and voting rights, and possible agreements between shareholders acting in concert with a view to directing the policy of the institution.
(g) Capital contributors which will hold 5 percent or more of the voting rights must provide the information listed in Article 6 below.
(h) Identity of at least two persons responsible for the effective direction of the MFI’s business.
(i) Identity of the members of the decision-making body. This information must be supplemented by a curriculum vitae and a statement certifying that none of the individuals concerned is subject to the prohibitions set forth in Article 18 of the Law on Banking and Financial Institutions.
(j) 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 balance sheets for operations in any of the previous three years.
(k) Description of the planned activity over the next three years:

- Nature and volume of the different types of lending liable to appear on the balance sheet, and other possible services offered to customers or members (for loans: nature, form, purpose, main terms and conditions, annual volume, and amount outstanding),
- Type of clients that the institution intends to seek,
- Nature of planned financial resources: own funds, subsidies, subordinated debt, deposits, borrowings, etc... As appropriate, specify the nature and ownership of these resources in the event of any ambiguity (subordinated debt for example),
- Likely number of employees over the next three years and corresponding payroll, broken down by category of staff,
- Location of existing branches or planned branches,
- Planned organization and resources, especially as regards accounting procedures and computer system,
- Balance sheet and profit and loss account forecasts for the next three accounting periods. Forecast level of main prudential ratios (as defined by the NBC) at the end of the next three accounting periods.

(l) Audit procedures:

- Planned internal audit organization for application of provisions of Article 43 of the Law on Banking and Financial Institutions,
- Identity of proposed external auditors; nature of assignments given to external auditors.

**Article 6**

Capital contributors holding 5 percent or more of the capital or voting rights of the institution must provide the following information:
(a) Identity of the capital contributor. In the case of a legal entity, indicate the
business name, legal form, and address of the headquarters and furnish the
Articles of Association. In the case of an individual, state his or her full name,
date and place of birth, nationality and domicile. Indicate whether this person is
to be appointed one of the managers of the institution. State whether the capital
contributor is to be represented on the institution’s board of directors; if so,
ensure that this representative is not subject to the prohibitions laid down in
Article 18 of the Law on Banking and Financial Institutions.
(b) Indicate the 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 securities. State whether the transaction is subject to particular
formalities in respect of regulations such as those applicable to foreign direct
investment in Cambodia and whether such formalities have been complied with.
(c) Describe the activities of the capital contributor. If the capital contributor is part
of a group, provide a description of the main entities of said group together with
an organization chart. Indicate whether the capital contributor has significant
equity holdings in other credit institutions. Indicate whether the group to which
the capital contributor itself belongs has significant equity holdings in credit
institutions. If so, list such interests.
(d) State whether the capital contributor and the companies possibly associated with
it carry on a financial activity. If so, indicate the regulations and the authorities
to which they are subject in this respect.
(e) Indicate the internal and external audit procedures of the capital contributor.
(f) Indicate whether, over the preceding ten years, the capital contributor has been
the subject of an investigation or of a professional, administrative, or judicial
proceeding of a material nature.
(g) State the capital contributor’s objectives for the acquisition of an equity holding
in the institution. Give all relevant information.
(h) Indicate whether there is significant business between the capital contributor and
the institution and how these relations are likely to develop in the future.
(i) Indicate the main banking relations of the capital contributor in Cambodia and
how long these relations have existed.

Article 7

A capital contributor which will directly or indirectly hold at least 20 percent of the
capital or voting rights shall be considered as an influential shareholder in accordance with
the provisions of Article 26 of the Law on Banking and Financial Institutions. Influential
shareholders might be enjoined by the National Bank of Cambodia to increase the net worth
of the institution under the conditions described in Article 27 of the Law on Banking and
Financial Institutions. For that purpose, a letter in accordance with the model set forth in
Annex I must be sent to the Governor of the National Bank of Cambodia.

Such a provision will only be removed once a deposit insurance scheme (or other customer
deposit guarantee) is set up in Cambodia.

Moreover, in accordance with the provisions of Article 40 of the Law on Banking and
Financial Institutions, the National Bank of Cambodia will be able to grant a written waiver
from the provisions of Article 7 at the time of the license approval.
Chapter III
License Approval and Related Fee

Article 8

The National Bank of Cambodia shall provide written notification of its decision within 6 months from the receipt of application. Where appropriate, the approval shall set out the specific conditions laid down by the National Bank of Cambodia for its entry into force and the timetable for the project. If the project has not been completed upon expiry of the deadline, the approval becomes void, except if an extension has been requested and taken into consideration by the National Bank of Cambodia.

Article 9 [As amended by Prakas B 7-06-209 dated September 13, 2006].

An indefinite license shall be provided by the National Bank of Cambodia to all microfinance Institutions operating in the Kingdom of Cambodia.

Article 10

The institutions shall pay a fee of KHR 50,000 upon submission of the application for a license.

Article 11 [Confirmed by Prakas B 7-04-205 dated December 29, 2004].

An institution shall pay an annual license fee of KHR 1 million before January 15 of each year. For institutions established during year, the license fee shall be calculated on a pro rata basis for the period remaining to the year’s end. In the event of late payment of license fee, the institutions concerned shall be fined by paying interest on the overdue payment at the existing refinancing interest rate for a period up to 30 days. If they are not in order after this period, their license shall be revoked.

Chapter IV
Prudential Rules

Article 12

Applicants or registrants with no operating history must pay up 100 percent of registered capital into an account open with the NBC prior to commencement of operations.

Article 13 [As amended by Prakas B7-06-209 dated September 13, 2006]

A licensed Microfinance Institution shall maintain an amount equal to five (5) percent of its registered capital in a permanent account with the National Bank of Cambodia, and be subject to the following conditions:

A. Deposits in Riel will bear interest at 1/2 of refinancing rate set by the National Bank of Cambodia. The interest payment shall be settled semi-annually.

B. Deposits in foreign currency will bear interest at 3/8 SIBOR. The interest payment shall be settled semi-annually. The National Bank of Cambodia will notify all institutions of the applicable rate for the relevant period.

The National Bank of Cambodia will only reimburse the capital deposit to a licensed microfinance Institution if it voluntarily liquidates and has no deposit liabilities.
Article 14
A licensed MFI shall deposit 5 percent of its deposits into its account maintained with the National Bank of Cambodia. This reserve requirement shall be maintained under the conditions set forth in Regulation on reserve requirement.

Article 15 [Repealed by Prakas B7-07-133 dated August 27, 2007].

Article 16
A licensed MFI shall maintain a liquidity ratio of at least 100 percent. This liquidity ratio shall be computed as follows:

Numerator: cash in hand, plus deposits with the NBC, plus deposits with banks, minus the amount owed to the NBC and banks (net liquidity), plus the portion of lending with not more than one month to run (excluding loans to customers with no specified maturity),

Denominator: a percentage of the time deposits due within the next month, plus a percentage of current accounts and of savings accounts. These percentages will be specified by Prakas.

Article 17
A licensed MFI shall be in compliance with regulatory requirements concerning classification of the loan portfolio and the related level of loan loss provisioning.

Article 18
Loan commitment aggregate to an individual borrower or to a group of borrowers constituting a single beneficiary because of connections among themselves shall not exceed 10 percent of an institution’s net worth.

Chapter V
Other Provisions

Article 19
All provisions contrary to those of this Prakas are hereby repealed.

Article 20
The General Direction, the General Inspection, the Cabinet and all Departments of the National Bank of Cambodia, and all institutions shall strictly implement this Prakas.

Article 21
This Prakas shall have effect from this signing date.

Phnom Penh, 11 January 2000

The Governor

Signed and Sealed: Chea Chanto
Annex I

MODEL LETTER

To be sent to the Governor of the National Bank of Cambodia by Capital Contributors Who Directly or Indirectly Hold 20 Percent or More of the Capital or Voting Rights of an Institution.

In my capacity as (indicate the status of the signatory), please find herewith the information requested by the National Bank of Cambodia (Prakas No) with regard to the equity holding that (contributor's name) intends to take in (name of institution).

I hereby certify that this information is complete and accurate and that, to the best of my knowledge there are no other material facts of which the National Bank of Cambodia should be informed.

I undertake to inform the National Bank of Cambodia immediately of any change which would significantly alter the information provided.

I have taken note of the provisions of Article 7 of the Prakas on licensing of micro-financing institutions, pursuant to which the National Bank of Cambodia may, where the situation requires, enjoin the influential shareholders of an institution to provide such institution with the support it needs.
Annex II

CURRICULUM VITAE AND QUESTIONNAIRES

for Individuals Who are, or Who Propose to become,
Managers of a Micro-finance Institution

******

1. Family name: ...........................................................................................................................................

2. Given name(s): ...........................................................................................................................................

3. Other name(s) by which you are or have been known: ...........................................................
........................................................................................................................................................................
........................................................................................................................................................................

4.1. Please describe the particular duties and responsibilities attaching to your position.  
........................................................................................................................................................................
........................................................................................................................................................................

4.2. Indicate if you are a capital contributor to the applicant and if you intend to carry out,  
directly or through an intermediary, personal or professional transactions with the applicant.  
........................................................................................................................................................................
........................................................................................................................................................................

5. Your private address: .................................................................................................................................
........................................................................................................................................................................

6. Your previous private address(es) during the last 5 years: ...........................................................
........................................................................................................................................................................
........................................................................................................................................................................

7. Your date (day/month/year) and place of birth (including district, town or city).  
........................................................................................................................................................................
........................................................................................................................................................................

8. Your nationality and how it was acquired (birth, naturalization, marriage).  
........................................................................................................................................................................
........................................................................................................................................................................

9. Name(s) and address(es) of your bankers within the last 5 years.  
........................................................................................................................................................................
........................................................................................................................................................................

10. Your academic degrees and/or professional qualifications and the place and year they were obtained.

226
11.1 Your current occupation and employment and over the past 10 years, including the name and address of the employer in each case, the nature of the business, the position held and relevant dates.

11.2 Indicate whether you are or in the past ten years have been a significant shareholder (namely holding directly or indirectly at least 10 percent of the share capital or voting rights) in a company other than the applicant. If so, state the name and activities of such companies and the amount of your shareholding or interest in them.

11.3. Indicate, to the best of your knowledge, which of the companies in which you have held or hold a position of responsibility, or in which you have been or are a significant shareholder, has or might soon have significant business relations with the applicant.

12. Have you or any entity with which you are associated as a director, shareholder, or manager ever held or applied for a license or to carry on any business activity in any country? If so, if any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

13. Have you, or any entity with which you have been involved in the conduct of its affairs, been disciplined, and warned as to future conduct, publicly criticized, or the subject of an investigation by any regulatory authority or any professional body? If so, give particulars.
14. Have you, in any country, been dismissed from any office or employment by your employer or barred from entry to any professional or occupation? If so, give particulars.

15. Have you failed to satisfy any debt adjudged due and payable by you under an order of a court, or have you been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

16. Have you, in connection with the management of any entity been adjudged by a court, in any country, to be legally liable for any fraud, or other misconduct by you toward such an entity or any of its members? If so, give particulars.

17. Are you now, or do you other than in a professional capacity, expect to be, engaged in any litigation in any country? If so, give particulars.

18. Please supply an audited statement of personal net worth providing a breakdown of your assets and liabilities.

19. Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

20. Is there any additional information which you consider to be relevant for the consideration of your suitability for the position for the position listed in Question 4.1? The omission of material facts may constitute the provision of misleading information (see declaration below).
N.B. The information provided in response to this questionnaire shall be kept fully confidential by the supervisory authority, the National Bank of Cambodia, except in cases provided for by law.

DECLARATION

I am aware that it is an offense to knowingly or recklessly provide any false or misleading information in connection with an application for a banking license or a renewal of a banking license.

I certify that the information provided in response to the above questions are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware.

I undertake to inform the supervisory authority of any changes material to the application which arises while the supervisory authority is considering the application.

Name .............................................................................................................

Position held ..................................................................................................

Signed .........................................................Date       /     /