

PRAKAS
ON
THE ISSUANCE OF TRADABLE SECURITIES
BY THE NATIONAL BANK OF CAMBODIA

Article 1.- General provisions and objectives

The National Bank of Cambodia will issue tradable securities with the following objectives:

- Promoting the development of a money market and interbank lending on secured bases, where the securities issued could serve as collateral for repo-transactions;
- Providing the market participants with alternative liquidity reserve assets supplementing the fixed deposits held with the Central Bank; and
- Establishing additional instruments aimed at supporting the implementation of the Central Bank's monetary and FX currency policies.

At holders' request, such securities can be transferred to any other market participant, provided such participant has been opened a securities and a cash account with the NBC, acting as a custodian for its own securities issued.

Article 2.- Nature and denomination of securities issued

1. The securities will be issued at the subscribers' request as an alternative to fixed term deposits with the National Bank of Cambodia. Such securities will bear interest at a fixed rate determined by the NBC at subscription. Interest will be accrued annual number of days in each year. The coupons accrued over the life of the securities will be paid with the nominal to the regular holder of securities at redemption date (maturity) under the provisions set forth in article 6.2, below.
2. The securities are dematerialized and therefore need to be deposited in a custodian account to be opened with the National Bank of Cambodia by the subscribers prior to subscription. The Authorized signatures for transferring and subscribing such securities shall be deposited with the National Bank of Cambodia.
3. Subscriptions will be confirmed by confirmations to be issued by the National Bank of Cambodia. Holdings of such securities will also be regularly reflected by securities accounts statements.
4. The National Bank of Cambodia securities will be issued in both, KHR (Khmer Riels) and USD (US dollars). Such securities shall be identified by securities' serial number and identification number within the series, nominal amount, currency, interest rate and maturity.
5. The Securities issued in domestic currency (KHR) will be available for following maturities: 2 weeks, 1 month, 2 months, 3 months, 6 months, 9 months and 1 year. The securities issued in US dollars (USD) will be available for following maturities: 2 weeks, 1 month, 2 months, 3 months and 6 months. The NBC will determine the denominations of the securities on the issuing date.

Article 3.- Custody and registration of the securities

1. As mentioned earlier in Article 2, paragraph 2, the securities will be dematerialized. They need to be deposited in a nominative custodian account opened with the NBC.

2. Registration formalities and ownership transfers will be performed by the National Bank of Cambodia.

Article 4.- Ownership of securities

1. The ownership of dematerialized securities is evidenced by regular inscription on the owner's custodian account held with the National Bank of Cambodia, acting as both issuer and custodian.

Any change in ownership needs therefore to be notified to the National Bank of Cambodia that will confirm the transfer to both, seller and purchaser of the securities.

2. The sole confirmation issued by the National Bank of Cambodia to the purchaser shall not and cannot be considered as a tradable property title and shall therefore not be endorsed by market participants for the purposes of property transfer of the transacted securities.

Such ownership transfer can only be legally performed by the National Bank of Cambodia at reception of according instructions issued by both parties to a straight forward sell-purchase transaction or to a collateralized transaction, notably in the form of a repo or a pledge as collateral.

Article 5.- Repo-transactions

1. Securities issued by the National Bank of Cambodia are eligible to repo transactions transacted in the Money Market. However, to ensure for legal and contractual security of such transactions, market participants are required to sign on the National Bank of Cambodia Repo Master Agreement.
2. Repo transactions transacted in the money market shall, in principle, involve that adequate steps be taken by both parties instructing the National Bank of Cambodia to operate the ownership transfer of the securities sold under repurchase agreement.
3. For very short period of times, parties to a repo transaction might not be willing to instruct the National Bank of Cambodia to operate the transfer of ownership of the securities sold under repurchase agreement. In this case, the securities seller (cash borrowing party) shall act as a sub-custodian on behalf of the securities purchaser (cash lending party) and account for such securities subsequently in order to evidence the ownership transfer.
4. Repo-transactions might be transacted in different currencies according to the parties' bilateral agreements. In this case, the currency risk shall be supported by the cash borrowing party (securities' seller committed to repurchase at a pre-agreed price). In addition, the counterparty risk exposures involved by currency rate moves shall be monitored and, where applicable, covered by cash margin calls.

Article 6.- Confirmations and Transfer

1. Purchase confirmations issued by the National Bank of Cambodia do not incorporate the ownership of the securities purchased. Therefore, such confirmations shall not be considered as certificates that could be endorsed by market participants since such endorsement will not incorporate the possession right about the securities.
2. The securities issued by the National Bank of Cambodia being dematerialized, the ownership results from the regular inscription of such securities in a custodian accounts held with the Central Bank. At maturity date, the nominal amount invested as well as the accrued coupon will be automatically transferred to the current account

held with the National Bank of Cambodia that is associated to the custodian account. However, should a market participant intend to reinvest all or part of the redemption amount, the National Bank of Cambodia will have to be instructed consequently two working days before maturity date.

3. At issuance of the securities, the National Bank of Cambodia will, at reception of written purchase confirmations signed on by duly authorized signatures, automatically debit the current account associated to the custodian account of the holder in which the securities will be deposited, at value date specified on the instruction. Purchasers and participants in the auctions shall ensure that they hold sufficient balances in their accounts to pay for the securities purchased or attributed to their bids.
4. To perform the transfer of ownership of securities sold and repurchased by means of repo transactions, the National Bank of Cambodia will require two regular instruction confirmations in writing issued by both parties to such repo transactions. To prevent from undue delays, the parties are required to confirm their instructions among themselves and to ensure that both confirmations are fully accordant.
5. In the course of any repo transactions should the parties agree to settle cash margins or to deliver additional securities margins the parties are required to issue to the Central bank two accordant instruction confirmations in compliance with the provisions set forth in paragraph 4, above.
6. Should two parties decide to perform a straight forward sale and purchase of securities issued by the National Bank of Cambodia they shall instruct both the Central Bank to perform the transfer of the sold / purchased securities and to settle the cash payment by specifying value date and transaction price. The characteristics of the securities sold / purchased shall be clearly specified on the instructions forwarded in writing by both parties to such transaction.

Article 7.- Overnight secured facilities and Discount window

1. Under conditions to be determined by Prakas to be issued by the National Bank of Cambodia, the securities issued will be eligible to the secured overnight facilities aimed providing the market participants with some flexibility to cover their negative clearing balances. Such overnight facilities shall not be considered as a regular funding source by clearing members and shall be granted at a penalty rate published by the National Bank of Cambodia.
2. Overnight facilities shall be secured by an equivalent or higher nominal amount in securities regularly owned by the clearing participant. The transfer of ownership of the collateral will be performed after confirmation of such facilities to the beneficiaries and at the initiative of the National bank of Cambodia. The restitution of the securities will also be performed next day at the Central Bank's initiative after reconstitution of a positive cash balance on the clearing account.
3. For temporary and short term liquidity needs, the securities held by market participants will be eligible to the liquidity window. Such transactions shall be pre-approved by the National Bank of Cambodia and shall be granted for periods of time ranging between two working days and two weeks. Access to the Discount Window shall not substitute for overdraft facilities that are of different nature. The access to the central bank discount operations will be conditioned by the effective availability of eligible securities. The list of eligible securities for discount will be updated and published by the National Bank of Cambodia as well as the applicable discount rates.

4. The transactions performed within the Discount Window shall be supported by the signature of a Repo Master Agreement between the National Bank of Cambodia and the beneficiary. The designated and approved upon securities will be transferred at the initiative of the National Bank of Cambodia at both, initiation and maturity of the transactions.

Article 8.- Open Market Operations and Auctions

1. Alongside with the regular subscriptions of securities issued by the National Bank of Cambodia at the applicable rates, the latter might organize auctions whereby a pre-defined amount of securities targets would be auctioned to the qualifying bids made by the participants to the process.
2. Such auctions will be organized to support the effective implementation of the National Bank of Cambodia's open market operations, the fine tuning and the achievement of its monetary and foreign exchange policies targets.

Article 9.- Participants to the Auctions and Implementation of Open Market Operations

1. The organization and conditions for participating in the auctions organized by the National Bank of Cambodia will be specified in circulars specific to each auction to take place at its initiative with the aim of inviting the participants referred in paragraph 2 below to submit their bids.
2. The auctions will be opened to regular money market participants. However, at the National Bank of Cambodia's discretion, such auctions might be opened to other participants, such as foreign-exchange auctions' participants, securities firms and other financial institutions. The participants invited to the auctions shall be specified in the invitation circulars addressing each of the auctions organized by the NBC, alongside with other information deemed necessary or appropriate for the preparation and submission of the bids.

Article 10.- Eligibility of NBC Securities as a collateral for the Real Time Gross settlements (RTGS) System

The securities issued by the National Bank of Cambodia will be eligible as a collateral in order to secure the processing of the RTGS. The modalities for the regular constitution of such collateral will be addressed by a Prakas on the operations of the RTGS System.

Article 11.-

The General Director, the General Secretariat, the General Cashier, the General Inspection, all Departments of the National Bank of Cambodia and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 12.-

The present Prakas shall take effect from its date of signature.

Phnom Penh, 15 October 2010

The Governor

Signed and Sealed: **Chea Chanto**