

**PRAKAS**  
**ON**  
**REPORTING OF THE BIGGEST EXPOSURES AND SURVEILLANCE**  
**OF CREDIT RISK CONCENTRATION**

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**CHAPTER 1**  
**GENERAL PROVISIONS**

**Article 1**

Banking and Financial institutions, hereafter called “Institutions,” are required to establish, on a quarterly basis, a comprehensive review of their fifty biggest exposures on borrowing counterparties. Where required, institutions shall adapt and upgrade their management information systems in order to comply with the requirements set forth in this Prakas.

**Article 2**

Credit risk concentration issues might severely impact an institution’s financial condition, therefore requiring particular surveillance in order to assess potential impacts of a deteriorating larger borrower’s condition under adverse economic circumstances.

In addition, notwithstanding the regulatory requirements related to large exposures, the concentration of credit exposures shall be commensurate with the institution’s risk appetite and the strength of financial condition. Credit exposures deemed too concentrated shall lead to a reassessment of lending policies and limits, subsequently and on a periodic basis.

**Article 3**

On a quarterly basis, Institutions shall provide Board Members or Members of the Executive Body with a list of the fifty (50) largest exposures on individual borrowers or groups of borrowers. Such reports shall, at a minimum, include all the data and information required by the banking supervisory authority, NBC.

Institutions shall provide Board Members or Members of the Executive Body with a summary assessment on the borrowers’ overall financial condition. In particular, should the reported exposures be adversely classified, all adequate supporting data and information should be communicated in order to evaluate potential losses and other impacts, especially on the institution’s liquidity and solvency condition.

These quarterly reports to the Board Members or to the Members of the Executive Body shall inform them of all the actions undertaken so far by the institution and the actions currently considered to safeguard its interests.

## CHAPTER 2

### EXPOSURES' CONSOLIDATION

#### Article 4

When two or several individuals or legal entities are considered a single borrower due to their interconnections, institutions shall aggregate the overall exposures at the adequate level and itemize all the individual borrowers and lines constituting the consolidated exposures.

#### Article 5

Individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other or all of them shall likewise be deemed to constitute a single beneficiary.

In particular, such connections exist between two or more individuals or legal entities where:

- a) One of them directly or indirectly exercises control over the other(s);
- b) They are subsidiaries of the same parent company;
- c) They come under the same *de facto* management;
- d) One of them has an equity interest in the other exceeding 10 percent and they are bound by reciprocal guarantee agreements or have a special business relationship with each other such as sub-contracting, franchise, etc.

The National Bank of Cambodia shall regard a group of borrowers as constituting a single beneficiary if the connections between them fall under the aforementioned.

#### Article 6

In addition, Institutions might identify other economic dependence factors or interconnections, especially based on internal analyzes performed on cash-flow origins and concentrations.

#### Article 7

Institutions shall consolidate all their exposures at the appropriate level to reflect their overall risk on the ensemble of interconnected debtors, considered a "single borrower."

## CHAPTER 3

### REPORTING FORMAT AND CONTENT

#### Article 8

Institutions shall report according to the sample as attached in the Appendix. This report shall contain sufficient data. The overall fifty largest exposures shall be presented in decreasing order of amount.

## Article 9

Individuals and legal entities, considered “single borrowers,” shall be clearly identified and the types of interconnections explicitly discussed. Detailed information about relationships among the different components of such groups of borrowers shall be in an appendix attached with the report.

For identification, the minimum required information shall be as below:

- **For individuals:** full legal name used, birth date, address, activity / profession, economic sector;
- **For legal entities:** commercial name, brands, registration number, incorporation date, business address, activity(ies), economic sector and any other useful information available to ensure proper identification.

Prior to consolidation of the exposures held on individuals and/or legal entities considered as “single borrowers,” institutions shall itemize all lines extended at the individual level.

Consolidation shall be performed by **aggregating separately** on-balance sheet items on a gross outstanding basis, and off-balance sheet items on an outstanding notional amount basis.

## Article 10

The amount of balance-sheet exposures shall be reported on a gross basis that is outstanding capital, without considering existing specific provisions and without taking into consideration interests, except if these were contractually capitalized.

The exposures shall be itemized, line by line and borrower by borrower. Minimum information required is: nature of exposure (overdraft or loan), outstanding capital, initial authorization, type of amortization and maturity.

Should a line or a borrower be adversely classified in the Institution’s books and records, the report shall reflect in separate columns, the corresponding classification and the amount of specific provision established to cover the risk.

## Article 11

Off-balance sheet exposures shall be reported and aggregated on an outstanding notional amount basis and as of the reporting date.

The corresponding lines shall be itemized, beneficiary by beneficiary, and reflect the outstanding notional amounts, the initial authorizations and, where applicable, their maturities. The reported lines shall clearly specify the nature of the transactions (unused committed overdraft facility, undisbursed portions of loans, guarantees and types of guarantees).

Should a line or a borrower be adversely classified in the institution’s books and records, the report shall reflect, in separate columns, the corresponding classification and the amount of specific provision established to cover the risk.

**CHAPTER 4**  
**QUARTERLY REPORT TO THE NBC**

**Article 12**

Institutions shall submit their quarterly reports on their fifty largest exposures, as of the end of March, end of June, end of September and end of December, to the NBC by the 15<sup>th</sup> of the first month of the following quarter.

**CHAPTER 5**  
**SANCTIONS**

**Article 13**

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

**CHAPTER 6**  
**ENFORCEMENT**

**Article 14**

This Prakas shall not apply to microfinance institutions.

**Article 15**

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, 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 16**

This Prakas shall have effect from the signing date.

Phnom Penh, 15 September 2009

**The Governor**

Signed and Sealed: **Chea Chanto**