

PRAKAS
ON
US DOLLARS DENOMINATED CHECK CLEARING HOUSE

Chapter 1
General Provisions

Article 1:

1. To create the Clearing house in US Dollars denominated Checks (hereinafter called Clearing house) in order to provide improved service to clients of the banking system in the country for the daily exchange of checks denominated in US Dollars, among participating banks, and for settlement of accounts on the books of the National Bank of Cambodia to pay for those exchanges.
2. To set up the Clearing house Regulation (hereinafter called Regulation) which establishes the terms and conditions applicable to this service as following articles.

Article 2: Participants:

1. Banks who have intention to be participants of the Clearing house may submit applications for participation (Annex I). Such banks if qualified, will be approved for participation by the National Bank of Cambodia on the first business day of the next month. The Clearing house participants are listed in Annex II.
2. Banks who are not participants may be represented in the Clearing house on their behalf by approved participants for purposes of clearing and settlement of US Dollar checks. This relationship shall be announced and approved by letter of the National Bank of Cambodia.

Article 3: Qualifications for participation

1. A Company licensed by the National Bank of Cambodia as a commercial bank may apply for application. The application form includes:

- a formal request signed by Bank Manager or an authorized official,
- a certified copy of the license issued by the National Bank of Cambodia,
- a Designation Letter and Specimen of Signatures.

Additionally, participating banks must:

- maintain a current account and a required reserve account denominated in US Dollars at the National Bank of Cambodia, and
- pay a fee for the service as determined by the National Bank of Cambodia.

2. The bank submitting an application shall operate at least one licensed office within Phnom Penh.

Article 4: Departure from participation

1. A bank whose license to conduct the banking business is withdrawn by the National Bank cannot participate in the Clearing house.
2. A bank may voluntarily withdraw from the Clearing house, provided it has made suitable arrangements with another bank to handle checks on its behalf in an acceptable manner approved by letter of the National Bank of Cambodia.

Article 5: Settlement Bank

The National Bank of Cambodia is responsible for preparing a daily report of the total amounts in US Dollars for payments brought to, and received from, the Clearing House for exchange and determining the net amounts to be debited or credited to the individual accounts of the participating banks.

Article 6: Management

1. The National Bank of Cambodia shall designate the Chairman of the Clearing house who will be in charge of its operations. The Chairman may delegate the supervision and control of the daily function to a Clearing house Leader. Both the Chairman and the Leader will be employees of the National Bank of Cambodia.
2. In the event of any dispute arising between representatives of participating banks, when delivering or accepting payments or in connection with settlement amounts due to or from participants, the decision of the Clearing house Leader shall be accepted temporarily, subject to ratification by the Chairman. In the event the dispute continues after settlement, it shall be resolved directly between the banks concerned.

Article 7: The Operations Committee

1. The business of the Clearing house may be augmented by an Operations Committee consisting of one representative of each participating bank, and presided over by a Chair selected by the participants. The Chair shall serve a term of one year. Subsequent leaders will be nominated and elected by the participants in the Clearing house.
2. The Operations Committee functions are to assist the Clearing house Leader by:
 - suggesting improvements in operations,
 - disciplining the behavior of their representatives if required, and
 - performing such other duties as may be assigned to it by either the National Bank of Cambodia or the Committee.
3. The Operations Committee shall meet at least four times each year. Additional meeting may be called at any time or upon written request of at least two participants. The request must specify the business to be discussed.

Article 8: Modifications to Regulation

The terms and conditions of Clearing house Regulation may be modified from time to time as determined by the National Bank of Cambodia or in agreement with the Operations Committee. Additionally, the Bank may extend the Clearing house operation to other cities of the country, add other services, and conduct additional sessions, as it deems necessary to improve the payment system of the country.

Chapter 2 Definitions

Article 9: The terms used in Regulation have the following meanings:

1. *Business day* means Monday through Friday or any additional day which the Bank has designated to be open for business. Business days exclude all public holidays.
2. *Clearing House* means the facility maintained by the Bank at its office in Phnom Penh.
3. *Payment or item* means a check drawn on a current account in a financial institution. A check is an order by an account holder of a bank to pay funds from that account to a beneficiary.
4. *Returned or unpaid item* means a check dishonored by the receiving participant for any of the reasons listed in Annex III. Checks are not deemed to be finally paid with funds disbursed in cash to a beneficiary until the applicable returned item session is closed.
5. *Eligible items* which may be presented to the Clearing house include:
 - a.- bank checks and drafts drawn by third parties payable to third parties, in US Dollars on Phnom Penh offices of licensed banks,
 - b.- such checks drawn on the National Bank of Cambodia,
 - c.- other debit items designated by the National Bank of Cambodia as eligible.

Checks must be drawn on the approved forms supplied by the banks, which comply with any applicable standards set by the National Bank of Cambodia. Checks may be drawn in Khmer, English, or French.

6. *Participant* means a bank that has agreed to participate in the Clearing house under the terms and conditions of Regulation.
7. *Participation* means attending the daily Clearing house meeting. Participants are expected to attend sessions whether or not they have checks to present to other participants.
8. *Receiving participant* means, with respect to any check, the participant that receives that payment through the Clearing house. This participant also may be referred to as the *Paying Bank*.
9. *Sending Participant* means, with respect to any payment, the participant that sends an item through the Clearing house.
10. *Books* means the accounting records maintained by a bank for its clients and current accounts of the National Bank of Cambodia maintained for such banks.
11. *Posting* means the debiting of a customer account for a check by the receiving bank.
12. *Settlement* means the entry of a net debit or credit to the clearing account of a participating bank for the daily clearings. All settlements shall be provisional and may be revoked with respect to any payment that has been dishonored by a Receiving Participant and returned as provided for in Regulation.
13. *Routing Number* means the identification number of the participant as listed in the

Directory of Bank Routing numbers maintained by the National Bank of Cambodia. The routing number is used to sort payments among the participants in the Clearing house. The routing number must be printed in the proper location on a check in accordance with National Bank of Cambodia standards.

14. *Session* means a meeting of the Clearing house participants to exchange checks with each other. The principal session will occur at 10:00 a.m., and a secondary session for returned checks at 3:00 p.m. However, the Chairman may decide to hold additional sessions in a given day if deemed necessary.
15. *Clearing Account* means the account maintained by each participant at the National Bank of Cambodia for settlement of its daily obligation at the Clearing house. It is used for settlement of Clearing house obligations by any participant.
16. *Reserve Requirements Account* means the account maintained by each participant at the National Bank of Cambodia to comply with Prakas on the Reserve Requirements elaborated by the National Bank of Cambodia. It cannot be used for settlement of Clearing house obligations by any participant.
17. *Deposit Guaranty Account* means the account maintained by each participant at the National Bank of Cambodia a Capital Guaranty Deposit of 10 percent of their registered Capital. It cannot be used for settlement of Clearing house obligations by any participant.

Chapter 3 **Sending Bank's Responsibilities**

Article 10: Banks are expected to utilize the Clearing house to send payments to other participants. Any bilateral exchanges of payments other than at established clearing house meeting times is permitted only upon mutual and specific agreement between the appropriate clearing house participants.

Article 11: Sending participants must:

1. Authorize and identify sendings

All checks must bear the stamp of the sending participant, and the date of sending on the reverse side of each item.

2. Prepare sending properly

Each sending participant shall prepare list of checks in duplicate (Form PPC001) on which shall be shown the individual check amounts and the total value of checks drawn on the other participants. Example of all forms appears in Annex IV. One list shall be prepared for each other participant showing the total value and number of checks presented to them;

- i. drawn on the Phnom Penh offices of each other participant, and
- ii. Returned unpaid and ineligible items.

Each sending participant may deliver a computer file (diskette) in the prescribed format containing the worksheet of Form PPC001.

3. Attend regular Clearing house meetings

Checks are to be brought to the Clearing house at or before the prescribed hour on each business day. A participant whose representative arrives more than five minutes after the prescribed Clearing house session may be excluded from that session by the Clearing Leader. A participant who is excluded from a clearing session shall not present his items to the other participants. He shall however, be compelled to accept and his account be debited for the checks which other participants deliver to him.

4. Authorize debit to account for payments returned

Each sending participant, by its act of sending payments to the Clearing house, authorizes the Bank to debit its current account for the subsequent return of dishonored payments by a receiving participant.

5. Retain records

Sending Participants must retain all pertinent records necessary to reconstruct any shipment or individual payment for one year beyond the date of original presentment. This does not imply, however, an obligation to research, provide customer contact, or resolve any adjustment for a particular payment later than this time.

Chapter 4 Receiving Banks' Responsibilities

Article 12: Receiving Banks are expected to pick up any checks made available to them at the Clearing house each day, including any dishonored checks as noted in Article 11. Checks made available to a receiving participant which are not picked up by such participant because he has failed to attend the clearing house session or has been excluded because of tardy arrival on that day are deemed to have been delivered on that day for purposes of settlement and timely return of any dishonored checks.

Article 13: Receiving Participants must:

1. Certify acceptance

The receiving participant shall sign the copy of the list on PPC 001 to acknowledge receipt of the checks at the Clearing house. Each receiving participant shall sign a copy of PPC 002, prepared by the National Bank of Cambodia or a printout containing all Forms 002 as an acknowledgment of his agreement with the amount to be debited or credited to his clearing account as result of the clearing session.

2. Settle for or return payments

Payments remain the property of sending participants until they have been settled for or returned. Receiving participants hold payments in trust until they have received credit from the drawer of the payment by charging that client account on

its books. Receiving participants are expected to keep adequate funds in their National Bank of Cambodia clearing accounts to pay for their obligation in daily settlements.

3. Return unpaid or dishonored payments

i. General Provision

Unpaid or dishonored checks are to be returned by sending through the Clearing house. Receiving participants must note conspicuously on each returned check, the cause for return using an approved reason as listed at Annex III, and the name of the receiving participant.

ii. Timely Return

Any check presented through the clearing house shall be deemed to be returned timely, and the receiving participant shall not be held accountable for such payment, if it is returned no later than the 3:00 p.m. clearing session on the same day of settlement. Checks are not to be considered as finally paid, with disbursement in cash, until after the close of the applicable return item session.

iii. Settlement for Returns

Receiving participants must return the unpaid payment clearly marked as a "RETURN ITEM" in the prescribed format. The amount will be deducted in the net settlement amount for the receiving participant (Form PPC 001).

iv. Expiration of Return privilege

Checks may be dishonored and returned on two occasions only. Checks remaining Unpaid after the second dishonor must be handled outside of clearing house channels by collection directly between the banks involved.

4. Retain records

Receiving participants must retain computer file (diskette) or paper listings, and any other Associated evidence necessary to reconstruct records for any Clearing house transaction for one calendar year beyond the date of receipt. Receiving participants are under no obligation however, and may as a courtesy, assist sending participants in resolving inquiries about transactions which occur after the mandatory records retention period has expired.

5. Return all unposted checks in event of default

In the event a participant is unable to provide adequate funds in its current account with the National Bank of Cambodia for the daily settlement and is declared insolvent by the Banking Supervision Department, the National Bank of Cambodia will so inform other participants and request the defaulting participant to immediately return all unposted payments in its possession to the

National Bank of Cambodia. The National Bank of Cambodia will then return such payments to the participant that originally sent them to the Clearing house for payment.

6. Assure customers mandate

Members are reminded that:

- i. Debit to customer's account requires the customer's mandate. A check bearing a forged signature is lacking such mandate and cannot normally be debited to a customer's account; and
- ii. A holder or endorser of a check may not be able to acquire good title to an instrument bearing a forged endorsement. Participants should therefore only accept checks from persons who are known to them or have been properly identified.

Chapter 5 National Bank of Cambodia Responsibilities

Article 14: The National Bank of Cambodia is a participant of the Clearing house and can receive and send checks to the same extent as any other participant for drawn or payable to the National Bank of Cambodia. In addition, the Bank provides facilities for the Clearing house meeting and settles accounts on its books for the participants.

Article 15: Preparation of forms

The Clearing Leader shall electronically prepare Form PPC 002, and PPC 003, as shown in the Annexes by incorporating participant's computer worksheets (PPC001) from the diskette brought to the clearing session.

Article 16: Settlement

1. Settlement will be completed each business day by debiting and crediting current accounts maintained by participant with National Bank of Cambodia. When the total amount of the checks presented exceeds the total amount received, the participant's account will be credited. When the total amount of checks received exceeds the total amount presented, the participant's account will be debited. When the Clearing Leader is satisfied that the clearing settlement form is balanced he shall sign a copy or a print-out of each participant's Form PP002 as an advice of debit or credit to that participant's clearing account. He shall then announce that the session is closed. No participant shall leave the session before the announcement of the closure.
2. In the case that the receiving participant has insufficient funds in its clearing account for settlement, it will have 2 hours to arrange for funds from another bank to be deposited into its clearing account at the National Bank of Cambodia. This will be the primary and expected source of funds for settlement.

Article 17: Balances maintained at National Bank of Cambodia

Participants authorize the Bank to charge to their accounts at the National Bank

of Cambodia any debit amounts that they may occur as a result of clearing checks, and must maintain funds in these accounts adequate to cover such debits. As a prudential measure, the National Bank of Cambodia may require banks to maintain adequate unencumbered deposits of foreign currencies in accounts abroad to cover their largest net debit exposure incurred during the previous calendar quarter.

Article 18: Failure to Settle

1. If the participant does not provide for its net debt obligation in the clearing house within the 2 hours allowed, the Clearing house Leader will inform the Chairman of the circumstances, who will determine corrective measures. If the participant is declared "in default" by the National Bank of Cambodia, the Chairman will so inform the other participants. The session will not be declared closed until the all accounts have been successfully debited on the day of clearing.
2. In the case default is announced during the session, the National Bank of Cambodia shall "unwind" the settlement, i.e. reverse the credit given that paying bank for its payments brought to the clearing house and the debit against it for payments brought by other banks, and recalculate the net positions of all participants accordingly. New forms shall be prepared by the Clearing Leader to reflect the new positions of the Participants. The defaulting bank will not be permitted further access to the Clearing house.

Article 19: Limit of liability

The National Bank of Cambodia shall not any way be responsible or liable in the event a participant incurs a loss in connection with participant in the clearing house, except in case of the Bank's own negligence or misconduct. It is understood and agreed that all claims on account of missorting, untimely return, failure to return, default by a participant, etc. shall be resolved directly between the participants except insofar as they agree to use the National Bank of Cambodia books to post the transactions. The Bank shall, however be accountable pursuant to the terms and conditions of Regulation for its own items entered for clearing and settlement in the same manner as any other participant.

Chapter 6 Miscellaneous Provisions

Article 20: Address for Notices

1. Any written notice to the Clearing house as required by Regulation shall be addressed as follows:

Chairman
US Dollars Net Settlement Clearing House
National Bank of Cambodia
22-24 Norodom Blvd.
P.O. Box 25
Phnom Penh, Cambodia

2. Any written notice between and among participants required under Regulation should be addressed to designated locations specified from time to time by the participants. Properly addressed notices shall be effective when received or at the expiration of a fixed schedule in such cases where advance knowledge is necessary.

Article 21: Authorized representatives

Participants shall provide a list of authorized representatives together with specimen of their signatures to the address above in Article 20.

Article 22: Governing Law

The transactions covered by Regulation shall be subject in all respects to the laws of Kingdom of Cambodia and all other applicable published regulations of the National Bank of Cambodia.

Article 23: Emergency conditions

[Conduct of daily clearing operations may be delayed within a business day or deferred to a later day in the event that participants are unable to attend due to adverse conditions as may be attributable to weather, loss of power or communications, or other major disruption in the city or country. In such circumstances, the National Bank of Cambodia will provide explicit instructions to the participants regarding to the procedures to be followed for entries applicable to the clearings or returns. However, individual participants should prepare for disruptions in their own facilities and are responsible for maintaining contingency plans and alternate processing sites with necessary equipment to continue operations for the duration of the emergency.

Article 24: Statistics

The National Bank of Cambodia shall compile and publish monthly statistics of the number and value of checks exchanged on daily basis throughout the month, including information on returned checks (unpaid checks). The statistical series shall compare monthly averages for the current and past years. Information on an individual bank's clearing shall not be published, except to that bank.

Article 25: All former Regulations that contradict with this Prakas shall be abrogated.

Article 26: The General Direction, the General Secretariat, the General Cashier, the General Inspection, all Department of the National Bank of Cambodia and Commercial banks members of the US Dollars Net Settlement Clearing house shall strictly implement this Prakas.

Article 27: This Prakas shall have effect from this signing date.

Phnom Penh, 14 November 2000

The Governor

Signed and Sealed: **Chea Chanto**

KINGDOM OF CAMBODIA

NATION RELIGION KING

Application for Participant of the Clearing house

Name:

Position:

Address:

.....

Postal Address:

Telephone:

To: **The Chairman of the US Dollars Net Settlement Clearing house**

According to what the Prakas No.. of /... / 2000 on US Dollars Net Settlement Clearing house has been understood, and in order to facilitate the use of Checks denominated in US Dollars among our bank and other commercial banks in Phnom Penh,

We respect for elders to you to allow our bank attending as Participant of the US Dollars Net Settlement Clearing house.

Attached Documents:

- A copy of banking license 1 copy
- Designation Letter and
Specimen of Signatures 3 copies

We strictly intend to comply with the above Prakas.

Very truly yours,

Phnom Penh,

Signature

BANK

Designates the Names and Specimen of Signatures of our bank Liaison Officers who have been authorized to sign on our formally written proof and other clearing evidence at the National Bank of Cambodia to complete the Net Settlement Clearing house service.

a./- Clearing House Committee:

Bank Manager Name:		
Authorized Person Position: Name:		

b./- Representative Participant in the Clearing Session:

Representative Position: Name:		
Authorized Person Position: Name:		

We will newly designate the others, while the above Officers have been removed.

Phnom Penh,
Signature

This Specimen of signatures is valid from
.....to.....
Phnom Penh,
Chairman of the Clearing house

**LIST OF
US DOLLARS NET SETTLEMENT CLEARING HOUSE
PARTICIPANTS**

No.	BANKS' NAME	ABBREV.	ROUTING No.
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

¹ This list of banks will be only recorded to reflect banks that are approved for participation in the clearing house by the NBC.

Annex III

Agreed reasons for return of checks by member banks

- I. Insufficient or no funds
- II. Funds not cleared
- III. Payment Stopped
- IV. Post dated and improperly-dated
- V. Out-of-date (more than six months old)
- VI. Words and figures differ
- VII. Amount in words required
- VIII. Drawer's signature differs- from sample signature
- IX. Drawer's signature required
- X. Drawer's signature required from alteration
- XI. Not drawn on bank's form
- XII. Mutilated check
- XIII. Account closed
- XIV. No account
- XV. Drawer deceased
- XVI. Drawer bankrupt / in liquidation
- XVII. Seal required (in case has mentioned in the specimen)
- XVIII. Freeze account

ANNEX IV

**FORM PPC001: LISTING OF INDIVIDUAL CHECKS BROUGHT TO THE
CLEARING HOUSE**

US DOLLARS NET SETTLEMENT CLEARING HOUSE

Items presented by to

Date/...../.....

	Cheque No.	Amount in US Dollars		Cheque No	Amount in US Dollars
1			36		
2			37		
3			38		
4			39		
5			40		
6			41		
7			42		
8			43		
9			44		
10			45		
11			46		
12			47		
13			48		
14			49		
15			50		
16			51		
17			52		
18			53		
19			54		
20			55		
21			Total - New Items		
22					
23			Returned Items		
24					
25				Cheque No	Amount in US Dollars
26					
28			1		
29			2		
30			3		
31			4		
32			5		
33			6		
34			7		
35			8		
	Sub-Total:			Total-returned Items	
		Total - New and Returned Items			

For Clearing House use
Signature

FORM PPC001: US DOLLARS NET SETTLEMENT CLEARING HOUSE

US DOLLARS UNPAID CHEQUES STATEMENT

Cheques from Clearing of: (Date)

From

To

Date:

No.	Cheque	Amount in US Dollars
Total:		

This Cheque shall be listed in the Session of Form PPC001 date:
reserved for returned / unpaid items.

Signed "for Presented Bank"

Signed "for Receiving Bank"

**FORM PPC002: SUMMARY LISTING, BY BANK, OF CHECKS BROUGHT TO THE
CLEARING HOUSE**

US DOLLARS NET SETTLEMENT CLEARING HOUSE

Items presented by..... "Bank' Name "Debit Acct:

At "Time" Session Date: .../... /....." Credit Acct:.....

No	Bank No.	Bank	Cheques presented to "Funds Due to sending Banks"	No.	Cheques received from "Funds Due to other Banks"	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
		Total						

Signed (for Presented or receiving Bank).....

Singed (for National Bank of Cambodia).....

FORM PPC003: SETTLEMENT LISTING OF CHECK BROUGHT AND CHECKS

RECEIVED BY BANK

US DOLLARS NET SETTLEMENT CLEARING HOUSE

At “Time” Session

Date: .../... /.....

No	Bank No.	Bank	Cheques presented to “Funds Due to from”	No.	Cheques received from “Funds Due to”	No.	Amount	
							Receivable	Payable
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	Total							

Singed (for National Bank of Cambodia)