

PRAKAS
ON
SECURITY TRANSACTION OF BANKS LICENSED IN CAMBODIA

Article 1

The National Bank of Cambodia supports and creates conditions favourable to the growth and development of the securities market in Cambodia, consistent with the principles of safety, soundness and efficiency of the financial system. To further that end, the NBC will coordinate its accounting and operational procedures so as to facilitate interbank lending and trading of securities. Further, the National Bank of Cambodia shall implement specialized standards for the examination of banks acting as broker-dealers in securities.

Article 2

A bank is considered to be operating as a securities broker-dealer if it underwrites, trades, or deals in securities. If a repetitive pattern of short-term purchases and sales of securities demonstrates that the bank portrays itself to other dealers or investors as a securities dealer, the bank is trading in securities, regardless of what section of the bank processes the transactions.

Article 3

The coordination of operational and accounting procedure of the National Bank of Cambodia includes the permissibility for designated banks to transfer funds from their current account to current accounts of other banks at the National Bank of Cambodia by initial telephone instruction to the National Bank of Cambodia, followed by call-back reconfirmation. In order to implement this method, transferring banks and their recipient banks must have established a Master Agreement, which shall be previously sent to the National Bank of Cambodia. The Agreement must delineate their desire to enter into such transactions, and the authorizations of respective individual banks.

Additionally, the National Bank of Cambodia will establish a book entry system for government securities when such securities are issued. Similar telephone-call transfer protocols for government securities trading among designated banks would then be established.

Article 4

The National Bank of Cambodia will examine broker-dealer activities in banks practicing securities trading. Examination procedures include board and management oversight, policies and risk limits, record keeping and operational accuracy, trading practices and separation of duties, training and compensation schemes of operators and staff, securities holdings and trading records and any other aspect of operations deemed relevant. Such examination findings may be part of a bank general examination or may be independent of other examination reports.

Article 5

All examination reports issued by the National Bank of Cambodia are the sole property of the National Bank of Cambodia and may not be duplicated or otherwise transmitted without the written consent of the National Bank of Cambodia, unless as provided under law.

Article 6

All provisions contrary to this Prakas are hereby repealed.

Article 7

The General Direction, 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 NBC's supervisory authority shall implement this Prakas.

Article 8

This Prakas shall have effect from the signing date

Phnom Penh, 25 December, 2002

The Governor

Signed and Sealed: **Chea Chanto**