



NATIONAL BANK OF CAMBODIA

Number B7. 021. 105 Prokor

(Unofficial Translation)

PRAKAS
ON
CONDITIONS FOR BANCASSURANCE BUSINESS
OF BANKS AND FINANCIAL INSTITUTIONS

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Decree NS/RKT/0519/642 dated May 21, 2019 on the reappointment of His Excellency Chea Chanto as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- With reference to the Royal Kram NS/RKM/0196/27 dated January 26, 1996 promulgating the Law on Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1206/036 dated December 29, 2006 promulgating the Law on the Amendment of Article 14 and 57 of the Law on Organization and Conduct of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 dated November 18, 1999 promulgating the Law on Banking and Financial Institutions;
- With reference to Prakas N° B8-98-385 Prokor dated July 20, 1998 on Organizational Structure of the National Bank of Cambodia and functions-duties of all departments of the National Bank of Cambodia;
- With reference to Prakas N° B1-010-194 Prokor dated November 26, 2010 on the amendment of Article 3, Article 4, Article 5, Article 12 and Article 13 of Prakas on Organizational Structure of the National Bank of Cambodia and functions-duties of all departments of the National Bank of Cambodia;
- Pursuant to the recommendation made by the National Bank of Cambodia Management meeting on March 25, 2021.

Decides

Chapter 1

General Provisions

Article 1.-

The purpose of this Prakas is to set forth regulatory framework for Bancassurance business of banks and financial institutions aiming at enhancing financial inclusion by increase accessibility of insurance services to the public, and strengthening consumer protection.

Article 2.-

This Prakas is applicable for all banks and financial institutions under the National Bank of Cambodia's (NBC) supervisory authority hereinafter referred to as "Institution".

Article 3.-

For the purpose of this Prakas, the following terms are defined as follow:

- **Bancassurance** refers to a mechanism by which the Institution and insurers collaborate to distribute and market insurance products through Institution network.
- **Bancassurance Business** refers to provision of insurance products by Institution on behalf of an insurer without involving any products development. Institution is allowed to undertake either referral model or corporate agency model, of which the Institution could get commission but no risk participation.
- **Insurer** refers to life insurer, general insurer, micro insurance company, and reinsurance company, obtaining an insurance license from the competent authority.
- **Bancassurance Agreement** refers to a legal contract between the Institution and the insurer.
- **Referral model** refers to the Institution referring its consumers to its insurer partner without involving in selling the products on its own.
- **Corporate agency model** refers to the Institution using its own sales force to market and sell insurance products.

Chapter 2

Eligibility Criteria

Article 4.-

Institution which intends to engage in Bancassurance business shall have the following qualifications:

- a) Obtain prior approval (no objection letter) from the NBC;
- b) Have good financial conditions and strong corporate governance as rated by the NBC at least for the last three consecutive years; and
- c) Fully comply with prudential regulations of the NBC.

Article 5.-

To obtain prior approval from the NBC, the Institution shall submit application with the following documents:

- a) Board resolution approving the conduct of Bancassurance business which clearly identify the selected model either referral model or corporate agency model;
- b) Feasibility study and risk assessments on Bancassurance business, including risk mitigation and Bancassurance business operation in a prudent manner;
- c) Bancassurance business plan;
- d) Bancassurance agreement between the Institution and an insurer;
- e) Bancassurance business management policy and procedure including consumer complaint handling procedures and operational guidelines;

- f) Audited annual reports, solvency report and liquidity report of the insurer; and
- g) Any other information the NBC may deem necessary.

Article 6.-

The Institution may have Bancassurance agreement with up to 3 (three) insurers. The agreement shall include at a minimum the following requirements:

- a) Reciprocal obligations of the Institution and insurer; especially training obligation of the insurer to the Institution;
- b) The provision of consumer information, and arrangements for the collection and payment of insurance premiums;
- c) Performance based commission/remuneration for the Institution including rate and structure of the commission/remuneration;
- d) The claims handling process and the consumer protection mechanism; and
- e) Statement of no linkage between the provision of banking services and insurance products offered by the Institution, aiming at avoiding banking business being contaminated by any risks which may arise from insurance business.

Article 7.-

The NBC shall notify in writing of its decision to the Institution whether to grant approval or not within 3 (three) months from the receipt of full application. The NBC's approval is valid for 3 (three) years and can be renewed. Institution shall apply for renewal at least 3 (three) months before expiry of the approval date.

Article 8.-

The Institution approved to act as corporate agent shall pay annual fee before January 15 of each year as follow:

- For headquarter: KHR 4,000,000 (four million riels)
- For each branch: KHR 2,000,000 (two million riels)

The Institution that has granted approval within the year, shall pay annual fee as follow:

- Quarter 1: Pay in full
- Quarter 2: Pay for three quarters
- Quarter 3: Pay for two quarters
- Quarter 4: Pay for one quarter

Chapter 3

Operational Requirement and Consumer Protection

Article 9.-

The Institution shall put in place operational guidelines to conduct Bancassurance business and shall ensure that:

- a) staff are well-trained and capable of explaining clearly the key attributes of the insurance products to consumers;
- b) consumers shall not be coerced or persuaded to buy any insurance products;

- c) premium is not directly debited from the consumer's bank account without prior consent or written agreement from consumer;
- d) Institution shall clearly inform the consumer that the Institution does not underwrite the risk or act as an insurer. The insurance product and payment of claims shall wholly be the insurer's responsibility; and
- e) Separated consumer protection mechanism and an appropriate complaints resolution relating to insurances shall be put in place to effectively implement.

In case the Institution acts as a corporate agent, the Institution shall:

- a) designate a qualified officer and adequate staff to handle all operations and solve all matters related to Bancassurance;
- b) have a separated unit and system that equip with an appropriate Chinese Wall between Bancassurance business and the Institution; and
- c) indicate to consumer the insurance products premium to be charged by the insurer.

Article 10.-

For the purposes of ensuring consumer protection, the Institution shall ensure that:

- a) no infringement on consumer right to use any other Bancassurance agent or to directly deal with an insurer;
- b) no misrepresentation or misleading statements on the policy benefits to the prospective consumer by the staff who sell the insurance products;
- c) all data and information of the consumer are kept confidential;
- d) no arbitrary charges and/or additional terms and conditions other than those imposed by the insurer; and
- e) the Institution and the insurer shall not use name, logo, trademark, commercial advertisement or other words leading to the confusion that the Institution and the insurer are the same company.

Article 11.-

The Institution shall submit quarterly reports to the NBC no later than the 15th day of the first month of the next quarter as follow:

- Report on the performance of the Bancassurance business (Number of policies issued, premium, commission, etc.); and
- Financial report, solvency report, and liquidity report of the insurer.

The Institution shall submit audited annual report of the insurer to the NBC no later than April 10.

Article 12.-

The Institution shall maintain adequate record and data on Bancassurance business and be available upon the NBC's request.

The Institution shall inform the NBC immediately regarding any amendment, renewal, or termination of the Bancassurance agreement.

The Institution shall inform the NBC immediately of pertinent issues and concerns encountered in carrying out the Bancassurance business that would impact to the Institution.

Chapter 4

Penalty Provisions

Article 13.-

Institutions that do not comply with this Prakas shall be penalized according to Article 52 and 55 of the Law on Banking and Financial Institutions.

Article 14.-

In addition to the above disciplinary sanction, the NBC shall impose transactional penalties as follow:

- a) Any Institutions failing to comply with the provision of Article 11 of this Prakas shall be subject to transactional penalty of KHR 1,000,000 (one million riels) per day
- b) Any Institutions failing to comply with this Prakas shall be subject to transactional penalty of KHR 3,000,000 (three million riels) per day counting from the date the NBC required the Institution to take corrective action.

Chapter 5

Final Provisions

Article 15.-

The General Secretary, the General Director of Banking Supervision, the General Director Central Banking, the General Cashier, the General Inspector, Directors of all relevant Departments in the National Bank of Cambodia, and all Banking and Financial Institutions under the NBC's supervisory authority shall strictly implement this Prakas.

Article 16.-

This Prakas shall have effect from the signing date.

Phnom Penh, March 30, 2021

The Governor

Signed and Sealed

To:

- As stated in article 15 "for information"
- Files-archives

Cc:

- All members of the Board of Directors
- Council of Ministers
"for information"
- Administrative Department of CM
"for publication in the National Gazette"