



KINGDOM OF CAMBODIA
NATION RELIGION KING

NATIONAL BANK OF CAMBODIA

Number: B7-016-001 C.L

Unofficial Translation

Phnom Penh, June 16, 2016

CIRCULAR
ON
IMPLEMENTATION OF PRAKAS ON MINIMUM REGISTERED
CAPITAL OF BANKING AND FINANCIAL INSTITUTIONS

With reference to the Law on Banking and Financial Institutions promulgated by the Royal Kram NS/ RKM/1199/13 of November 18, 1999 and Prakas No B7-016-117 Prokor on Minimum Registered Capital of Banking and Financial Institutions dated March 22, 2016, the National Bank of Cambodia (NBC) herewith prescribes procedures related to the increasing of the minimum registered capital in banking and financial institutions.

1. Minimum registered capital

1.1 Commercial bank branch of foreign bank

Commercial bank incorporated as foreign branch, whose parent bank is rated "investment grade", shall have a minimum registered capital of KHR 200,000,000,000 (two hundred billion riel). Other commercial banks incorporated as foreign branch, whose parent bank is not rated investment grade, shall have a minimum registered capital of KHR 300,000,000,000 (three hundred billion riel).

"Investment grade" of the parent bank shall be rated by at least one of the international independent rating agencies: Moody's Investor Services, Standard & Poor's, Fitch or other international independent rating agencies acknowledged by the NBC. "Investment Grade" refers to any rating equal to or above:

- Baa3 by Moody's Investor Service,
- BBB- by Standard and Poor's, and
- BBB- by Fitch.

The rating shall not be longer than one year at the date of its reporting to the NBC.

1.2 Other Banking and Financial Institutions

Commercial bank incorporated as foreign subsidiary, whether or not their parent bank is rated with “investment grade” and/or their parent bank owns 100% share of the bank, shall have a minimum registered capital of KHR 300,000,000,000 (three hundred billion riel).

Locally incorporated commercial bank and specialized bank, microfinance-deposit taking institution, and microfinance institution shall have a minimum registered capital as determined in the Prakas on Minimum Registered Capital of Banking and Financial Institutions, regardless of the investment grade.

2. Timeline for the capital increase

Banking and financial institutions shall increase their minimum registered capital:

- By half of the difference between their current registered capital and new minimum registered capital, at the latest by end of March 2017; and
- In full, at the latest by March 22, 2018.

3. Documents to be submitted

Foreign bank branch and other banking and financial institutions shall submit the documents to the NBC no later than six months after the signing date of this circular.

3.1 Branch of foreign bank shall submit the following documents:

- Copy of resolution of board of directors of the parent bank concerning the increase of the registered capital or the person(s) authorized by board of directors of the parent bank;
- Confirmation letter of the parent bank’s rating;
- Parent bank’s letter of guarantee to increase the minimum registered capital;
- Parent bank’s letter of guarantee to increase the minimum registered capital in case the parent bank’s rating would be downgraded to below the “Investment grade”;
- Acknowledgement of home supervisory authority on the parent bank’s guarantee letter; and
- Capital increasing plan and strategy as approved by board of directors of the parent bank or the person(s) authorized by board of directors of the parent bank in compliance with the Prakas on Minimum Registered Capital of Banking and Financial Institutions.

Foreign branch shall regularly submit the valid and certified confirmation of the parent bank’s rating to the NBC during the first week of January and July each year or as required. In addition, the foreign branch shall immediately report to the NBC if the international independent rating agency downgrades the parent bank’s rating to below the investment grade.

Parent bank shall have the guarantee letter of increasing minimum registered capital for the situations that its rating is downgraded to below the investment grade. The guarantee letter shall state the commitment to increase the required capital within 10 (ten) working days and shall be accompanied by the resolution to increase capital by the parent bank’s board of directors. The documents for capital increase shall be submitted to the NBC within 30 days from the day of

transferring capital. The parent bank shall submit a written notification regarding the commitment to increase capital to its home supervisory authority.

3.2 Other Banking and Financial Institutions shall submit the following documents:

- Copy of the resolution of the board of directors concerning the increase of the minimum registered capital;
- Copy of the resolution of shareholders concerning the increase of the minimum registered capital;
- Letter of guarantee from influential shareholders to increase the minimum registered capital; and
- Capital increasing plan and strategy approved by the board of directors in compliance with the Prakas on Minimum Registered Capital of Banking and Financial Institutions.

4. Other procedures

In the event that banking or financial institutions would fail to comply with the provisions set out in the Prakas on Minimum Registered Capital of Banking and Financial Institutions, the institution shall select one of the following procedures:

- Finding new potential investors
- Merger and Acquisition
- Change of its legal status
- Voluntary liquidation.

Banking and financial institutions shall submit to the NBC the documents as required in accordance with the selected procedure.

5. Effective Date

Circular No B7-010-001 CL dated 07 July 2010 on Investment Grade is hereby repealed.

This circular shall take effect from this signing date.

Governor

Signed and sealed: **Chea Chanto**