



NATIONAL BANK OF CAMBODIA

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The 2nd NBC Macroeconomic Conference:

Leveraging financial market development to promote Riel

Cambodia has experienced high dollarization in the last two decades, with foreign currency deposits, relative to broad money, rising from 60% in 1990s to 80% in 2000s and now at 83%. Dollarization presents both advantages and disadvantages. As for its advantages, it has accompanied the rapid economic growth and help support public confidence at the early stages of development. It also supported financial deepening and intermediation. However, dollarization also implies limited seignorage revenue and the central bank's lender of the last resort role. More importantly, it constraints monetary policy implementation and may complicate financial stability risks, in particular liquidity risks.

In this context, the Royal Government of Cambodia (RGC) has considered promoting the use of Riel as one of its top policy agenda in the Rectangular strategy Phase 3 and the Financial Sector Development Strategy 2011-2020. So far, the Ministry of Economy and Finance, the National Bank of Cambodia, the Ministry of Commerce and other relevant stakeholders have supported the common goal of promoting the use of Riel. Consequently, the Riel circulation and deposits have increased on average 17% and 24% per annum, respectively, during these last two decades. To make further progress, the RGC has been preparing a comprehensive National Strategy to promote the use of the local currency based on market principles. To support its implementation, development of financial markets is vital, particularly foreign exchange market, interbank and money market and securities market.

Despite impressive financial deepening over the past two decades, some of the financial markets are still rudimentary. The foreign exchange market remains fragmented, with money changers serving dealers, brokers and price-makers. Commercial banks have increased participation in the market, though gradually. The interbank and money markets development has been supported by the NBC's introduction of Negotiable Certificates of Deposits (NCD). Government securities markets and the secondary market for the NCDs are yet to be developed. At the same time, Cambodia's security market has launched since 2012 with now only two listed companies.

In order to explore the appropriate policies and measures to promote the use of Riel through the development of financial markets, the National Bank of Cambodia is pleased to announce this year theme of her Second Annual Macroeconomic Conference on "**Leveraging financial market development to promote Riel**".

Researchers are invited to present papers on market development. The findings of the papers would support policy formulation on the overarching goal of increasing the use of Riel. To meet these expected outcomes, the research papers are welcomed to focus on the following sub topics such as 1- Promotion of the use of the local currency through foreign exchange market development, 2- Promotion of the use of the local currency through interbank and money market, 3- Promotion of the local currency through securities market development etc. The researchers are encouraged to be innovative and propose their own topic on the broader topic of the conference agenda.

The interested researchers could send their topics and CV to the National Bank of Cambodia by 5 March 2015 through the following contact. The top 4/5 papers would be selected; the result of the section would be announced during the second week of March 2015. Furthermore, among the selected papers, only qualified papers would be invited to present in the second NBC Annual Macroeconomic Conference, which is scheduled in late June 2015. The National Bank of Cambodia would provide financial incentives to the qualified papers.

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