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Speech By

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**Delivering Key Note at the Official Launch of the Cambodia FinTech Association and the event of
Singapore FinTech Festival ASEAN Roadshow
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Excellences, ladies, and gentlemen!

A Very Good Evening to you all!

Welcome to the Official Launch of the Cambodia FinTech Association and the Singapore FinTech Festival ASEAN Road Show in Phnom Penh!

Today is such my great honor and pleasure to attend this wonderful event here together with all relevant stakeholders, distinguished guests, and innovators of FinTech. I am so delighted to see such gathering in Phnom Penh. This will provide a platform for interaction for regulators, banks and FinTech players to better understand the opportunities and challenges FinTech can bring to the Cambodian financial sector. Taking this opportunity, I would like to highlight on the National Bank of Cambodia's approach toward FinTech developments. But first let me brief you some necessary background.

As a young developing country, Cambodia has been able to build itself very rapidly for the last two decades. Since it achieved peace and stability in 1998, Cambodia's economic growth has been exemplary. The destruction of physical infrastructures during the war and the mental trauma it imposed on the people, didn't prevent Cambodia from becoming one of the fastest growing economies in the world, with an average GDP growth of 7% for the last 10 years, and comfortably reached its Millennial Development Goals in reducing poverty, increase access to clean water and sanitation to name a few. Today, Cambodia is a low middle income country and has a bright economic prospect ahead. Beside the strong political will to rebuild the country from scratch (in its literal sense), I believe technology development did played an important role in fostering the

pace of the reconstruction process. By way of illustration, I would like to give a few examples that are relevant to us here in this room. First, connectivity! While the building of roads, bridges and sea and dry ports are important, the capital required to do so is enormous not to mention other considerations on environmental and social impacts. And this is where telephone becomes handy. Cambodia didn't have to wire physical cable across the country to connect people, we leap frog to a much more efficient alternative by using satellite. Today we have more than 27 million mobile phone subscriptions for a population of 16 million. About 7 million of the population (MPTC may have later updates on this number) have access to internet and 90% of those access is done through satellite. And maybe less than 1% of household have landline. 20 years ago when I first joined the central bank, telecommunication cost in Cambodia was the highest in ASEAN according to an ADB study, but now I can confidently say that access to internet in Cambodia is the cheapest in ASEAN, certainly cheaper than Singapore. This cost and technology efficient connectivity brings people closer, allows faster way to share information and knowledge and ultimately can lift people out of poverty.

Second example of leapfrogging is related to security! I wish I could say that Cambodia found a magic weapon to counter cyber attack, but we don't. Here I am referring to security features of our cards and ATM machines! Late towards the first decade of the 21st century, without regulatory requirements from the central bank, most banks in Cambodia was already introducing EMV chips cards leapfrogging magnetic stripe sisters and equipped their ATMs machines with the latest security technology. This was done because as late bloomers, when those services and products were introduced, these technologies were already available, so it makes business sense to invest in the future rather in the past. **Unlike most developed countries, the lack of incumbent infrastructure makes it much easier for Cambodia to adopt the latest technology available without much constraint. This statement is true for most sectors here.** Safe and secured way to make payment is crucial for a country that significantly relies on tourism revenue for its economic growth.

The third and last example of technology leapfrogging is mobile payment service. If Kenya has M-Pesa, Cambodia has WING! WING has revolutionized the payment space in Cambodia and opened doors to many more players to come and contribute each in their own way. When bank transfers didn't work for the people in remote areas, WING seized the opportunity to fill the gap by capitalizing on an existing platform: mobile phones. *WING does not pay me to say this!*

With this third example, I would like to touch on NBC approach to FinTech. I said **Approach** and not **Policy**, because we are still working on one. NBC's approach to new technologies or more specifically to FinTech has mostly been: **watch, learn and execute!** When Wing was first introduced as a social experiment in 2009, it was a black swan to us. But we watched it and observed it and tried to understand it. We came to a conclusion that while as regulators we don't have the knowhow to assess the risks and regulate, the services introduced would greatly benefit to our financial inclusion agenda. On a pilot basis, WING was allowed to operate under the umbrella of a bank, and the bank must guarantee its operational risks, solvency risks and AML/CFT risks. The first trial was limited to KHR, that because the use of KHR was and remains limited and the risk to the business picking up too quickly was minimized because we wanted to take the time to learn. Similar approach was also taken on AMK in 2012, a deposit taking microfinance institution where its payment services were allowed to be piloted with specific customers and within specific geographical area. **This exercise was Cambodia's version of "Sandbox"**. Eventually the restriction was lift and we open doors to many third party processors to come in and compete. In the meantime NBC was busy setting up its own payment system department in 2014, putting together licensing and prudential regulations and co-chair the ASEAN payment system infrastructure committee in 2016. By the way, this is also considered a leapfrog of knowledge! Allowing payment service providers to operate under a bank umbrella was effective introduction of new services to the industry while the regulators are learning, but it does also have its limitation. PSP finds it difficult to introduce new services due to the strict risk management policy of the bank and its concern on its own reputational risk as the guarantor. As such the new regulation on PSP licensing should allow them more freedom to grow their business while having to comply with strict but more commensurate prudential regulations by the National Bank of Cambodia.

I hope the above example give you a good illustration on how NBC approach FinTech development which is: **Watch, Learn, Execute!**

Excellences, Ladies, and Gentlemen!

Though FinTech development in Cambodia is still in a nascent stage, it is also growing at a rapid pace but limited to the banking sector particularly in payment and remittance space. Having seen this rapid development, last year, under the support from Asia Development Bank, the National

Bank of Cambodia hosted the first **FinTech forum** in Phnom Penh to explore opportunities and challenges of FinTech and to provide a platform for FinTech players to exchange ideas and collaborate, therefore enhancing public understanding. This event also served as a good stock taking on the Fintech landscape in Cambodia for NBC and assisted us in better designing our policy.

Excellencies, Ladies and Gentlemen!

Similar to other central banks around the globe, the NBC's role as the catalyst is to promote innovation and development of payment system infrastructure aiming to facilitate economic growth and regional integration.

For retail payment system, the NBC has recently introduced FAST Payment, the Khmer Riel interbank funds transfer system, which allow end-user customers to receive funds immediately once transactions complete. This system also allows customers to transfer E-wallet account with a PSP to a bank account and vice versa, in a safe and cost efficient way. A second generation FAST system that will allow account to account transfer using telephone number is being developed with the assistance from KOICA and is expected to be launched in the first half of next year. Meanwhile, the NBC also introduced Cambodian Shared Switch (CSS), the ATM/POS interoperability system, which allows customers who holds ATM or debit cards of one bank to use other banks' ATM/POS terminals to make cash withdrawal, balance inquiry, and funds transfer. **On large-valued payment**, the NBC kicks start the project of introducing the RTGS System, and expect to go on live within the next four years. In the meantime, NBC completed the technical work Bakong project, which is a central bank digital currency project for interbank settlement, and is currently consulting with interested stakeholders from industry to design rules and procedures and possibility pilot test within next year. Taking a glance at **interbank market**, the NBC has recently implemented NBC-Platform which provides an online trading platform for market participants to trade Central Bank Securities (NCDs), foreign exchange, as well as to request discount window from the central bank.

On a personal note, as a regulator, I don't think that FinTech should be promoted for the sake of promoting it, if it does not add value to the industry or serve the people at large, or worse, create unnecessarily risks to the industry. I want to see technology that can help bring people in remote area with low income into the formal sector where they can become more visible therefore more

bankable and thus have a better chance to get out of poverty. We want to see people in remote area with low income being able to have convenient, affordable, fair and safe access to financial services. My principal responsibility is to ensure that convenient, affordability fairness and safety features are met by engaging closely with stakeholders concerned without discriminating the type of institutions (by this I means we want to regulate the services not the institutions). As such we welcome active interaction amongst industry and regulators to better understand each other. On NBC side we will continue to build an infrastructure and regulatory framework that would enable positive innovations to thrive in order to better serve the people.

Excellences, Ladies and Gentlemen!

May I now conclude my key note address by wishing you a pleasant, fruitful, and successful discussion and having a valuable festival this evening. Thank you very much for having me in this Event of Singapore FinTech Festival ASEAN Road show.

Thank You!