

**Kingdom of Cambodia  
Nation Religion King**

National Bank of Cambodia  
No. NBC/B700/51  
February 17, 2000

**Prakas  
On the Classification of and Provisioning for Bad  
and Doubtful Debts, Including Interest in Suspense**

**The Governor of the National Bank of Cambodia**

- Referring to the 1993 Constitution of the Kingdom of Cambodia;
- Referring to Kram No. NS/RKM/0196/27 of January 26, 1996 promulgating the Law on the Organization and Functioning of the National Bank of Cambodia;
- Referring to Kram No. NS/RKM/1199/13 of November 18, 1999 promulgating the Law on Banking and Financial Institutions;
- Referring to Kret No. CS/RKM/0398/85 of March 10, 1998 on the appointment of H.E. Chea Chanto as Governor of the National Bank of Cambodia;
- Pursuant to the request of the Banking Supervision Department of the National Bank of Cambodia.

**IT IS HEREBY DECIDED**

**Article 1:** Banks must organize their internal accounting information system in such a way that they are able at any time to provide the National Bank of Cambodia (NBC) with information in accordance with the provisions of this Prakas.

**Article 2:** Banks shall be able to classify their assets, especially their loan portfolio, regardless of the customers concerned (banks, individuals, businesses, government entities) and their off-balance sheet commitments into the four classes defined in Annex I.

**Article 3:** All assets and commitments belonging in the substandard, doubtful and lost classifications must be recorded in the relevant doubtful items provided for to this end on the reporting documents compiled at the NBC's request, and particularly on the monthly statement of assets and off-balance sheet items.

**Article 4:** The mandatory minimum level of specific provisioning, depending on the classification concerned, shall be the following regardless of the assets (except cash) lodged as collateral.

- Substandard: 20%
- Doubtful: 50%
- Lost: 100%.

**Article 5:** The specific provision shall be recorded in the bank's accounts and charged to the profit and loss account in the month in which the need is identified. It may not be spread over future periods. Insofar as the customer account balance includes an amount of interest the counterpart of which has been recorded as interest in suspense (see Article 6 below), this amount shall not be taken into account in calculating the specific provision.

**Article 6:** In accordance with accrual basis accounting, interest accrued on a customer account shall be recorded as income in the profit and loss account. However, such a procedure is not followed for assets once they have been classified as substandard, doubtful or lost. In these circumstances, interest accrued shall be credited to an account for interest in suspense.

**Article 7:** Any violation of provisions of this Prakas will give rise to the disciplinary sanctions set forth in Article 52 of the Law on Banking and Financial Institutions.

**Article 8:** All provisions contrary to those of this Prakas are hereby repealed

**Article 9:** The General Director, the General Secretariat, the General Cashier, the General Inspection, all NBC departments, and all banking and financial institutions under the NBC supervisory authority shall be responsible for the enforcement of this Prakas.

**Article 10:** This Prakas shall enter into force from the date of its signature.

Phnom Penh, February 17, 2000  
The Governor

Chea Chanto

cc:

- All members of the Board of Directors
- Parties concerned as stated in article 9
- to File
- Council of Ministers "for information"
- Administration Department of Council of Ministers "for publication in the Official Gazette"

**NOTES:**

1. Classification must apply to all direct and indirect credit facilities including loans, overdraft accounts, Property acquired by the bank in satisfaction of debts previously contracted and off-balance sheet commitments (letters of credit, letters of guarantee, etc.).
2. Restructured loans and advances are credit facilities which have been refinanced, rescheduled, Rolled-over, or otherwise modified at terms and conditions favorable for the borrower owing to weaknesses in the borrower's financial condition or capacity to repay. The restructuring should not lead to an improvement in the classification of the credit facilities unless there is strong evidence of improvement in the customer's financial condition.