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PREAH REACH KRAM

NS/RKM/1199/13

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- Referring to the 1993 Constitution of the Kingdom of Cambodia;
- Referring to Kram No. NS/RKM/0399/01 of March 8, 1999 on the Amendment of the Articles 11, 12, 13, 18, 22, 24, 28, 30, 34, 51, 78, 90, 91, and 93 and Articles of Chapters VIII to XIV of the Constitution of the Kingdom of Cambodia,
- Referring to Reach Kret NS/RKT/1198/72 of November 30, 1998 on the formation of the Royal Government of Cambodia;
- Referring to Reach Kram No. 02/NS/94 of July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- 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;
- Pursuant to the request by the Prime Minister and the Governor of the National Bank of Cambodia.

HEREBY PROMULGATE

The Law on Banking and Financial Institutions as ratified by the National Assembly on October 19, 1999 during the third plenary session of the second legislature, and where the Senate did not have sufficient time to review the new article 113 of the Constitution and where the Constitutional Council has declared it to be in conformity with the Constitution on November 3, 1999, and whose meaning are as follow:

LAW ON BANKING AND FINANCIAL INSTITUTIONS

CHAPTER 1

Banking and Financial Intermediation

Article 1: Banks are legal entities licensed to carry out banking operations as their regular business.

Article 2: Banking operations include:
1. credit operations for valuable consideration, including, leasing, guarantees and commitments under signature;
2. the collection of non-earmarked deposits from the public;
3. the provision of means of Payment to customers and the processing of said means of payment in national currency or foreign exchange.

Any entity carrying out even one of these three types of activities shall be considered de facto to be engaged in banking.

An entity carrying out only one of these three basic activities, or only one component of each of these three basic activities, shall be known as a "specialized bank".

Article 3: Banks may also, for their customers or on their own behalf, perform or carry out:
1. all the financial operations referred to in Article 4 below, except insurance services which are the subject of a specific legislation;
2. foreign exchange operations;
3. money market intermediation, and all operations in negotiable claims on said market;
4. transactions in derivatives;
5. spot or forward dealing in precious metals, raw materials and commodities; and
6. other services related to their core activities, subject to the agreement of the supervisory authority.

Article 4: Banks as defined above may, on their own behalf and for their customers, either directly or indirectly by participating in one or more specialized institutions, carry out securities transactions which constitute financial intermediation, such as:
1. taking deposits for the purpose of subscribing or purchasing securities, pursuant to instructions received from individual customers or from open-end investment companies;
2. subscribing in and trading securities;
3. custody of securities;
4. individual or collective management of securities;
5. underwriting of securities upon their issuance;
6. financial engineering;
7. trading in derivatives; and
8. all manner of securities transactions on their own behalf, in their capacity as commercial companies and in compliance with the laws and regulations in force.

Article 5: Other specialized financial institutions may also carry out the same securities transactions for their customers.

Article 6: The National Bank of Cambodia has the power to license and supervise the specialized financial institutions in accordance with the provisions of Article 7, Paragraphs 4 and 11, and Article 33 of the Law on the Organization and Functioning of the National Bank of Cambodia as promulgated by Kram No. NS/RKM/0196/27 of January 26, 1996

However, securities transactions, whether carried out by the banks and by the specialized financial institutions, shall also be subject to the supervision of a special Commission, which shall

ensure that savings invested in securities are protected through compliance with securities issuance conditions and with securities disclosure requirements.

The composition and functioning of this Commission shall be determined by the laws and regulations governing the financial market.

Article 7: Owing to the risks that may result from a combination of securities activities within banks or within specialized financial institutions, such as the receipt of earmarked deposits and the custody and the management of securities portfolios, the supervisory authorities of the banking system and of the financial system, acting in concert either at the time of initial licensing or by regulation, shall establish rules for regulating combination of such securities activities.

Article 8: The operations related to the banking business referred to in Article 3, Paragraphs 2, 3, 4 and 5 of this law, and carried out for customers by entities other than banks, shall comply with the rules established by the supervisory authority.

CHAPTER 2
Scope

Article 9:

1. The banking and financial institutions defined in Chapter 1, and hereinafter referred to as covered entities, shall be subject to the provisions of this law.
2. No person other than a covered entity may carry out banking operations on a regular basis.
3. No person other than a covered entity may make use of a business name, corporate name, advertising or, in general, any expression implying that it is an institution authorised to carry out an activity subject to authorisation in accordance with the provisions of this law.

Article 10: Covered entities shall comply either with the provisions of ordinary commercial law or with the provisions of the special legislation applicable to noncommercial companies, as well as with the provisions of this law.

In case of conflict, this law shall prevail.

CHAPTER 3
Legal Form of Covered Entities

Article 11: A covered entity shall be incorporated either as a public company under commercial law or as a cooperative or a mutual noncommercial society subject to special statute.

Cooperatives or mutual societies shall belong to a common federative body called a "central body".

Central bodies shall be responsible for ensuring cohesion among the entities affiliated with their network as well as the smooth functioning thereof. To this end, they shall take all necessary measures, in particular to safeguard the liquidity and solvency of each of these institutions and of the network as a whole.

The central bodies themselves are considered as covered entities.

Article 12: A covered entity may be locally incorporated in Cambodia or be a branch of a foreign bank.

Article 13: With prior approval of the supervisory authority, a foreign bank may open an information, liaison or representative office in the Kingdom of Cambodia, which office shall not be entitled to carry out banking operations or financial intermediation and canvassing operations.

Such establishments may be locally incorporated or be a simple entity, a delegate person, or an office, and shall be so entered in the Commerce Registry.

Such offices may use the business name of the foreign bank they represent.

An authorisation is given for a period of two years, which may be renewed once only.

CHAPTER 4
Licensing of Covered Entities

Article 14: Before starting business, covered entities must obtain a license from the supervisory authority.

Before issuing a license, the supervisory authority shall ensure:
1. the qualifications of the shareholders and the accuracy of their reported financial position;
2. the ability of the principal shareholders to fulfill, jointly and severally, their obligation to strengthen the bank's own funds if required to do so in accordance with the provisions of Article 27 of this law;
3. the adequacy of human, technical, and financial resources for the planned activities.

The supervisory authority shall be aware of the reciprocity offered by other countries when the shareholders of a locally incorporated bank or the head offices of branches of foreign banks are from said countries.

Article 15: The supervisory authority shall reach a decision within six months of receiving the application together with all relevant documents. Applicants shall be notified of any refusal of authorisation.

The supervisory authority shall maintain a current list of licensed institutions, which shall be published in the Bulletin of the National Bank of Cambodia and in the Official Gazette of the Kingdom of Cambodia.

CHAPTER 5
Minimum Capital - Solvency

Article 16:
1. Before obtaining a license, a covered entity that is locally incorporated as a company or a noncommercial entity, whatever its legal form, must have fully paid-up initial capital at least equal to a sum fixed by the supervisory authority.

2. Before obtaining a license, a branch of a foreign bank must have a fully paid-up capital endowment at least equal to the minimum capital of a covered entity locally incorporated as a company.

3. The minimum capital shall be fixed by a regulation issued by the National Bank of Cambodia. A portion of the minimum capital, equal to a percentage prescribed by a regulation issued by the National Bank of Cambodia, shall be permanently deposited with the National Bank of Cambodia as a guarantee deposit.

   The minimum capital of commercial banks shall amount at least to Riel 50 billion.

   Said amount has been determined on the basis of SDR = Riel 5,616.

   The guarantee deposit maintained with the National Bank of Cambodia shall amount at least to five percent of the minimum capital.

4. A covered entity that is either locally incorporated or operating as a branch of a foreign bank, must at all times be able to prove that its assets minus related potential losses and intangibles exceed its liabilities to third parties by an amount at least equal to the minimum capital.

Article 17: Covered entities must also observe a solvency ratio, the level of which shall be fixed by the supervisory authority in compliance with international standards. The ratio shall be calculated as a proportion of the covered entity's net worth in relation to its risks.

CHAPTER 6
Capacity of Directors and Managers

Article 18: No one may be member of a board of directors or supervisory board of a licensed entity, or, either directly or through an intermediary, direct, manage or run a licensed entity in any capacity, or be authorised to sign on behalf of such an institution if he:

1. has been convicted of:
   - a crime;
   - theft, fraud or breach of trust;
   - misappropriation when acting as a public depository;
   - extortion of funds or securities, criminal bankruptcy, injury to the credit of the State, or breach of exchange control regulations;
   - usury;
   - money laundering;
   - forgery and/or the use of forgeries;
2. has been sentenced to a period of imprisonment for issuing bad checks;
3. has been convicted by a foreign court of law of one of the crimes, or offenses listed in Paragraphs 1 and 2 above;
4. has been declared in Cambodia or abroad for personal bankruptcy, receivership, or liquidation of assets;
5. has been relieved of his duties as a law official by virtue of a court ruling;
6. has been involved in a personal capacity in the management of a covered entity whose license has been withdrawn following a disciplinary action.

CHAPTER 7
Composition, Permanent Identification, and Responsibilities of Partners in Covered Entities Constituted as Noncommercial Societies

Article 19: The conditions applicable to setting up the capital, variable or non variable, of the covered entities constituted as noncommercial societies, plus the permanent identification of members or holders of stocks, shall be defined in the special act applicable to cooperative or mutual societies.

In compliance with the provisions of Articles 11 and 14-2 of this law, the central body shall be responsible for guaranteeing the solvency and liquidity of each network vis-à-vis third parties, depositors and creditors.

CHAPTER 8
Composition, Permanent Identification, and Responsibilities of Shareholders in Locally Incorporated Covered Entities

Article 20: The shareholders of locally incorporated covered entities may be individuals or, under conditions fixed by the supervisory authority, legal persons whose own shareholders must be clearly identified.

The supervisory authority shall particularly avoid situations where there are chains of shareholding companies, each of them holding shares in the others.

Article 21: A holding company which holds as subsidiaries, exclusively or principally, one covered entity or more, shall itself be deemed a covered entity, particularly as regards its licensing approval and submission to the supervisory authority.

Article 22: A covered entity applying for a license must inform the supervisory authority of the identity of its shareholders who directly or indirectly hold 5 percent or more of its capital or voting rights.

Article 23: Any shareholder, or any group of shareholders acting in concert, shall, directly or through the concerned covered entity, notify to the supervisory authority of any increasing in or transfer of

direct or indirect equity holdings in a covered entity which would enable this shareholder or group of shareholders to acquire or to lose 5 percent of the covered entity's capital or voting rights.

Article 24.

1. Any shareholder, or any group of shareholders acting in concert, shall, directly or through the concerned covered entity, obtain the prior authorisation of the supervisory authority for taking on or disposing of equity holdings that would directly or indirectly enable this shareholder or group of shareholders to:
   a. acquire or to lose a half, a third, a fifth, or one tenth of the capital or voting nights of the covered entity;
   b. acquire or to lose the power of control over the management of the covered entity.

2. The covered entity shall be held accountable for completing the notification and authorisation request formalities.

If the formalities have not been observed, the vote of the concerned shareholders in the general meeting shall automatically be invalidated, without prejudice to other penalties applicable to such a case.

Article 25: Unless otherwise stipulated by ordinary commercial law, the minimum number of shareholders and the level of each stake in the share capital of a covered entity shall not be restricted. However, while examining an application for license, and when scrutinising a notification or application for authorisation to step across a regulatory threshold, the supervisory authority shall, on one hand, look to the presence of one or more influential shareholders, and, on the other hand, shall avoid either the extreme concentration or the excessively wide dispersal of shareholdings. However, a high concentration can be accepted if the concerned shareholder is a foreign bank of high standing.

Article 26: For the purposes of this law, a shareholder shall be deemed to be influential from the moment that he directly or indirectly holds at least 20 percent of the share capital or voting rights, or if he holds de facto decision making power as a consequence, inter alia, of widely dispersed shareholding.

Article 27: If the financial position of a covered entity so warrants, the supervisory authority shall enjoin the influential shareholders, jointly and severally, to increase the net worth until the solvency standards are met.

If they refuse to comply, the concerned influential shareholders shall be liable to penalties provided in Article 55-2 below, without prejudice, in case of voluntary liquidation, to actions in meeting disputed liabilities as opposed by creditors or depositors.

CHAPTER 9
Composition, Permanent Identification and Responsibilities of Shareholders of the Parent Company of a Covered Entity Constituted as a Branch of a Foreign Bank

Article 28: A branch of a foreign bank or foreign financial institution licensed to carry on banking or financial activities in Cambodia shall inform the supervisory authority of any change in the composition of the influential shareholding of its parent company, as soon as such a change arises.

Article 29: The supervisory authority may call into question the validity of the license previously granted to a branch, if changes referred to in Article 28 above are likely to weaken the financial position or the accountability of the parent company abroad.

Article 30: If a branch does not abide by prudential regulations, the supervisory authority shall invite its parent Company abroad to reconstitute its capital endowment as mentioned in Article 16-2 of this law or to modify the distribution of assets.

Article 31: In case of voluntary liquidation of the parent Company abroad, all assets of the foreign branch in Cambodia are earmarked, on a priority basis, for repayment of resident customers, whether they are depositors of securities, gold, or cash, or whether they are creditors, as far as their rights to

the assets of the branch at the time of liquidation have been acknowledged by the liquidator of the branch.

CHAPTER 10
Equity Participations by Covered Entities in the Capital of Other Commercial Companies

Article 32: For the purposes of this law, holdings shall be regarded as equity participations when they directly or indirectly confer on a covered entity at least 10 percent of the capital or voting rights; of another Company.

Article 33: A covered entity may hold equity participations, which must at no time exceed either of the following two limits:
1. as regards each equity participation, 15 percent of the amount of the own funds of a covered entity;
2. as regards total equity participations, 60 percent of the amount of the own funds of a covered entity.

Article 34: The following shall not be subject to the individual and overall limits laid down in Article 33 of this law:
1. equity participations in industrial, real estate, or commercial undertakings whose activities are linked to the running of a covered entity;
2. equity participations in banking or financial institutions, with the prior approval of the supervisory authority;
3. companies engaged in agricultural activities.

Article 35: For the purposes of Article 34-2 of this law, the following shall be regarded as banking or financial:
1. covered entities;
2. financial companies, including those engaging in the activities referred to in Article 8 of this law;
3. undertakings engaging in banking or financial operations abroad as their regular business;
4. insurance companies.

Article 36: Whenever a shareholder of a covered entity is a banking or a financial, institution, or whenever a covered entity itself has a stake in a banking or a financial institution, the supervisory authority shall require for the calculation of a covered entity's net worth on which prudential ratios are based:
- either the deduction of the participations held by the covered entity in other banking or financial, institutions;
- or the prior consolidation of balance sheets of companies of the group whenever relevant upstream or downstream holdings reach at least 20 percent of the capital of related companies.

Article 37: Any acquisition of holdings by a covered entity in the capital of an industrial or a commercial undertaking registered abroad shall be subject to the prior approval of the supervisory authority.

CHAPTER 11
Establishment Abroad or in Cambodia

Article 38: Any acquisition of holdings by a covered entity in the capital of a bank or financial institution abroad, as well as any opening of a branch or representative office abroad, shall be subject to the prior approval of the supervisory authority.

Article 39: The opening of a branch in Cambodia by a covered entity shall be subject to the prior approval of the supervisory authority.

Acquisitions of holdings by a covered entity in the capital of another covered entity are governed by the provisions of Articles 19 - 27 as well as Articles 33 - 35 of this law.

CHAPTER 12

Supervisory Authority and Regulatory Power

Article 40: The Central Bank supervises the banking system and its related activities such as the money market the interbank settlement system, and financial intermediation.

To this end the Central Bank shall:

1. issue licenses and define the licensing process;
2. prepare and keep up to date a list of licensed banks which shall be published in the Official Gazette of the Kingdom of Cambodia and in the Bulletin of the National Bank of Cambodia;
3. be empowered to issue regulations for the implementation of this law which authorise the Central Bank to determine, in particular the:
   a) amount of minimum capital and the nature of the assets it is backed with;
   b) prudential ratios regarding particularly liquidity, solvency, risk diversification, foreign exchange exposure, and market risk exposure;
   c) valuation rules for accounting balances;
   d) conditions under which participations can be taken and held in the capital of a covered entity or a financial institution;
   e) conditions under which participations can be taken and held in the capital of other banking or financial companies;
   f) debts which must be regarded as doubtful, and the provisioning thereof;
   g) the chart of accounts, the related accounting standards, the rules for the consolidation of accounts, and the rules of the disclosure of accounting statements;
   h) conditions applicable to the banking and financial operations that may be carried out in their relations with customers;
   i) organization of interbank joint services, including the centralization of financial information, risks, and overdue debts;
   j) granting of individual, exceptional, and temporary exemptions;
   k) requirements and authorization rules concerning modifications in the business name, legal form, capital distribution, management and activities of a covered entity, or of the head office in the case of a branch of a foreign bank;
   l) practice of door-to-door selling of banking or financial services;
   m) after consultation with the covered entities' professional association, the rules governing the operation of a deposit guarantee system;
   n) and, generally speaking, the modalities for enforcing this law in light of the differences concerning the legal form of covered entities, the scope of their network, and the nature of their activities.

4. it publishes all regulations issued by virtue of its authority in the Official Gazette of the Kingdom of Cambodia and in the Bulletin of National Bank of Cambodia;

5. it supervises the banking system through permanent off-site monitoring and periodic on-site examinations of each covered entity; if the need arises, on-site examinations may be extended to a subsidiary of a covered entity or to any other related entities, including shareholders;

6. it organises or supervises any interbank settlement system;

7. it may require that covered entities, public offices, auditors, and any other individual or legal entity disclose information considered as useful for its mission;

8. and it may, in accordance with the conditions defined in Articles 52 to 54 of this law, take disciplinary action.

Article 41: The supervisory authority's duty consists:

1. in licensing covered entities to carry out financial and banking operations in Cambodia;
2. in defining and enforcing prudential rules related to the financial structure and management that covered entities must abide by;
3. in supervising, permanently but after the fact, through both off-site and on-site examinations, the financial position and functioning of covered entities;
4. in imposing disciplinary sanctions against covered entities failing to comply with laws and regulations;

5. in referring to the courts if failure to observe laws and regulations undermines the public interest.

Managers and shareholders of the covered entities are accountable for errors of strategy, for mistakes in and errors of management, and for deficiencies in internal control, in accordance with the provisions of Articles 14, 19, 27 and 30 of this law.

CHAPTER 13
Prudential Measures - Internal control

Article 42: A covered entity shall, under the conditions prescribed by the supervisory authority, abide not only by the monetary policy rules defined in the Law on the Organization and Functioning of the National Bank of Cambodia as promulgated by Kram No. NS/RKM/0196/27 of January 26, 1996, but also the management standards aimed at safeguarding its liquidity and solvency vis-à-vis depositors and, more generally, as regards third parties, as well as the equilibrium of its financial structure.

In calculating the net worth of a covered entity on which prudential norms are based, the supervisory authority must deduct not only any intangible or worthless asset recorded in the balance sheet, but also any equity participation in a banking or financial institution, as well as credits and loans of whatever nature or maturity granted to shareholders or other commitments to shareholders under regulatory conditions.

Article 43: Under conditions prescribed by the supervisory authority, a covered entity must have an internal control system aiming particularly at:
1. verifying that the operations carried out by a covered entity, as well as the organization and internal procedures, comply with the laws and regulations in force, professional and ethical standards and practices, and the policy of the executive body;
2. verifying that the limits laid down for risks, in particular counterparty, exchange-rate, interest-rate and other market risks, are strictly observed;
3. monitoring the quality of accounting and financial information, in particular the arrangements whereby this information is recorded, preserved, made available, and disclosed internally and externally.

CHAPTER 14
Accounting Obligations - External Auditors' Duties

Article 44: The provisions of ordinary commercial law or of the legal statute of noncommercial societies concerning the closing and auditing of accounts as well as certification of annual individual accounts shall apply to a covered entity under the conditions prescribed by the supervisory authority.

Article 45: A covered entity shall prepare, publish and if need be consolidate its accounts under the conditions prescribed by the supervisory authority.

A covered entity shall also periodically submit to the supervisory authority accounting statements and reports showing evidence of enforcement of legal, regulatory and prudential requirements.

Article 46: No external auditor may audit a covered entity without prior authorisation of the supervisory authority.

Before certifying the accounting statements, auditors must be satisfied of the fairness and truth of the annual accounting information reflected in the balance sheet and off-balance sheet items, income statement, and appended statements; intended for publication or submission to the supervisory authority.

Auditors shall inform the court if they notice that a covered entity has violated legal or regulatory provisions, in a manner likely to undermine the public interest.

At the close of their audit, auditors shall prepare and submit to the supervisory authority a report summarizing their findings, in particular:
1. payment of capital;
2. valuation methods of account balances;

3. consolidation methods;
4. financial, position of the covered entity;
5. agreements that may have been concluded, directly or indirectly, during the accounting year between the covered entity and its shareholders or its directors.

The supervisory authority may request from auditors any information about the activity or financial position of a covered entity.

Furthermore, the supervisory authority may forward to auditors its remarks or requests for explanations, to which auditors shall reply in writing.

CHAPTER 15
Professional Secrecy

Article 47: No person who participates in any capacity in the administration, direction, management, internal control, or external audit of a covered entity, and no employee of the latter, may provide to any person any confidential information pertaining to statements, facts, acts, figures or the contents of accounting or administrative documents of which he might have become aware through his functions.

Any person who fails to observe this obligation of professional secrecy shall be liable to the sanctions laid down in Article 55 of this law.

However, the obligation of professional secrecy may not be used as a ground for nondisclosure vis-à-vis the supervisory authority, auditors, provisional administrators, liquidators, or a court dealing with criminal proceedings.

CHAPTER 16
Related Parties

Article 48: Without prejudice to the provisions of Article 42 of this law concerning the calculation of net worth, any credit granted to a related party by a covered entity shall be subject to a regulation issued by the supervisory authority so that the extent of such credit shall be limited and known permanently.

Article 49: For the purposes of this law, related parties to a covered entity are defined as follows:
1. any person holding directly or indirectly at least 10 percent of the capital or voting nights;
2. any company of which the covered entity directly or indirectly holds at least 10 percent of the capital or voting rights;
3. any individual, who participates in the administration, direction, management or internal control;
4. and the external auditors.

Article 50: The supervisory authority may require a covered entity to consider in a same way loans granted to beneficiaries regarded as related parties because of their kinship or their financial links with persons referred to in Article 49 of this law, or beneficiaries who, despite being under the shareholding threshold fixed in Article 49, would have a significant management power owing to a wide dispersion of capital shareholding.

CHAPTER 17
Money Laundering

Article 51: In addition to the specific legal provisions that it must observe regarding money laundering, a covered entity shall take appropriate measures to identify precisely all its customers and, above a threshold to be defined by the supervisory authority, the transactions carried out through them, and shall keep all relevant documentation thereon for at least ten years.

CHAPTER 18
Disciplinary Sanctions

Article 52: If a covered entity has contravened a provision of the laws or regulations governing its activities, has failed to heed a warning or not complied with an injunction, the supervisory authority may impose one of the following disciplinary sanctions:

- caution;
- reprimand;
- prohibition on the execution of certain operations and any other limitations on the carrying on of business;
- temporary suspension of one or more of the executives, with or without appointment of a provisional administrator;
- compulsory resignation of one or more of the executives, with or without appointment of a provisional administrator;
- setting up a provisional administration;
- withdrawal of the license and liquidation.

Furthermore, the supervisory authority may, either in place of or in addition to these sanctions, impose a fine not exceeding the minimum capital of the covered entity.

Article 53: The appointment of a provisional administrator or of a liquidator is an urgent administrative and protective measure. The covered entity concerned must be given notice of the measure, which is enforceable immediately.

Article 54: The supervisory authority decides as a last resort jurisdiction in the case of the other disciplinary sanctions, which are of a moral or a financial nature. These decisions are enforceable immediately but may be appealed to the highest administrative jurisdiction on the grounds of legal flaw or irregularity.

CHAPTER 19
Penalties

Article 55: In addition to the penalties provided for in case of violation of provisions of ordinary law or of the legal statute of noncommercial societies, the following penalties may be applied under this law:

1. Any person who, acting either for his own account or for the account of a legal person, as his regular business and on behalf of the general public carries out banking operations, without a license, shall be liable before the courts to imprisonment from 1 year to 5 years and a fine from 5 million to 250 million Riels, or to either of these penalties, without prejudice to the closure of the concerned establishment.

2. Any person or entity who infringes any of the provisions of Articles 9, 11, 18, 19, 27, 30, and 47, shall be liable before the courts to the penalties provided for in Article 55-1 above.

3. Any person, acting either for his own account or for the account of a legal person, shall be liable before the courts to imprisonment from one year to five years and a fine from 1 million to 10 million Riels, or to either of these penalties:
   - if he infringes any of the provisions of Articles 8, 13, 23, 24, 28, 38, 39, 44, 45, 46 and 51;
   - or if, after formal demand from the supervisory authority, he fails to respond to request for information provided for in Article 40-7;
   - or if he knowingly provides the supervisory authority with inaccurate information;
   - or if he hinders examinations implemented by the supervisory authority or by the external auditors of a covered entity or hinders the missions of a provisional administrator or of a liquidator appointed by the supervisory authority.

Article 56: The penalties provided for in Article 55 shall be imposed by the courts, in particular after a prior complaint or action for damages by the supervisory authority or by the covered entities' professional association provided for in Article 72 hereafter.

CHAPTER 20
Provisional Administration - Liquidation

Article 57: If a serious and confirmed threat is weighing on the solvency of a covered entity and if appeals for reconstitution of own funds as provided for in Articles 14, 19, 27 and 30 remain without

effect, the supervisory authority may, on its own initiative or at request from the executives or shareholders, appoint, at the covered entity's expense, a provisional administrator for an initial period not exceeding 3 months. If circumstances so warrant, the provisional administrator's mission can be extended for another period of 3 months.

Article 58: As soon as he is appointed, a provisional administrator has exclusive powers to manage, direct and represent the covered entity.

Article 59: The provisional administrator's main duties are immediately to make an assessment of whether or not the covered entity is solvent, and to administer the current activities in order to preserve as far as possible the covered entity's solvency and maintain the rights of depositors and creditors.

Article 60: If the assessment concludes that the covered entity is considered solvent, and is furthermore in a position to abide by all legal and regulatory prudential norms, the administrator shall so report to the supervisory authority who shall lift the protective measures.

Article 61: If the assessment concludes that the covered entity is solvent but is not in a position to abide by, within a period not exceeding 3 months, the prudential norms relating to net worth and liquidity, the license may be withdrawn and the provisional administration converted into a voluntary liquidation, at the expense of the covered entity.

The liquidator, who may be the provisional administrator, shall liquidate all the assets and meet all liabilities of the establishment under the control of the supervisory authority.

Article 62: If the assessment concludes that the covered entity is not solvent, the license is immediately withdrawn and the provisional administration is converted into a liquidation by order of the court, at the expense of the covered entity.

The provisional administrator shall declare the suspension of payments and the case is referred to the court, which shall appoint a liquidator, who may be the provisional administrator.

The liquidator shall liquidate the assets and meet the liabilities under the control of the court and in compliance with bankruptcy proceedings under ordinary law. Any banking or financial operations carried out during the liquidation remain subject to this law.

Article 63: A liquidation, voluntary or by order of the court depending on the solvency or insolvency of the covered entity, shall be undertaken following a license withdrawal pronounced as a disciplinary sanction imposed in accordance with Article 52.

Article 64: Given the particularities of banking and financial business, balance sheet and off-balance sheet liabilities, after having been admitted, shall be met in the following order:

1. fees or other charges for the provisional administration and for the liquidation, voluntary or by order of the court;
2. taxes and fees due to the National Treasury;
3. salaries owed to the staff of the covered entity for a period of up to three months preceding the date of the liquidator's appointment;
4. preferential or secured claims if sureties have not been taken during the suspect period;
5. deposits, in cash, gold, or securities, or other claims of creditors other than banks and financial institutions, with the proviso that each depositor holding one or several accounts denominated in Riels shall receive an equal amount up to two million Riels;
6. other deposits, in cash, gold, or securities, or other claims of banks and financial institutions;
7. subordinated debts and equity-type loans.

Article 65: The supervisory authority, the provisional administrator or the liquidator shall submit the case to the court if they observe grave, penalty reprehensible violations of any legal or regulatory provision.

Article 66: Provisional administrators and liquidators shall be chosen by the supervisory authority from a list of qualified professionals drawn up beforehand by the latter and the Ministry of Justice.

Article 67: If a provisional administrator or a liquidator is in some way hindered from performing his duty by the concerned covered entity, he may refer the matter to the court.

Article 68: The shareholders of a solvent covered entity, gathered for an extraordinary general meeting, may decide to liquidate the entity, in accordance with provisions of ordinary law.

Advised of that decision, the supervisory authority shall appoint a liquidator who shall liquidate the entity under the control of the supervisory authority.

Article 69: Remuneration to be paid and other expenses to be reimbursed for provisional administration or liquidation shall be established according to prevailing regional professional scales and charged automatically to the concerned covered entity, in compliance with Articles 57, 61, 62, 63, and 64 of this law.

CHAPTER 21
Customer Protection

Article 70: The supervisory authority shall define, after having consulted the profession, a corpus of rules of good conduct aimed at ensuring customer protection, in particular concerning:
1. transparency, openness and the level of charges and remuneration for banking or financial operations;
2. the opening and termination of credit lines;
3. and the renegotiation of loans.

Article 71: Credit balances of customer accounts or of accounts with other banks or financial institutions which have been dormant for 10 consecutive years, shall be transferred to the National Bank of Cambodia, which shall be accountable thereafter for administering such deposits.

CHAPTER 22
Organization of the Profession

Article 72: Whatever its legal form or its specialization, any covered entity shall be required to belong directly - or, in the case of noncommercial societies, through the central body referred to in Article 11 - to a single professional association whose Articles of Association shall have been endorsed by the supervisory authority.

The association shall be directed by a single chairman elected by all its members pursuant to its Articles of Association. However, within the body, members having same professional specialization can band together into separate subdivisions.

Article 73: The aims of the professional association shall be to:
1. represent the collective interests of the covered entities, particularly in relations with the government authorities and with the supervisory authority;
2. provide its members and the public with information concerning every aspect of banking and financial operations;
3. conduct research into any questions of mutual interest;
4. promote professional interbank training;
5. organize and manage all interbank services, in agreement with the supervisory authority and under its control;
6. lodge a complaint before the courts in compliance with the provisions of Article 56 of this law.

CHAPTER 23
Transitional Provisions

Article 74:
1. Previously licensed institutions shall bring their Articles of Association, activities, and financial structure, into line with the provisions of this law within 6 months from its entry into force, and shall apply for a new license within the same period.

After having examined these applications, the National Bank of Cambodia shall publish a list of licensed institutions in accordance with the provisions of this law in the Bulletin of the National Bank of Cambodia and in the Official Gazette of the Kingdom of Cambodia.

At the close of the six month period, any institution failing to abide by the provisions of this law and its implementing regulations shall cease doing business and be liquidated.

2. Institutions which carry out without a license the banking and financial activities referred to in Articles 2, 3 and 4 of this law shall immediately cease undertaking any new operations and apply for a license to the relevant supervisory authority within three months from the date of promulgation of this law.

3. Any entity carrying out banking activity in particular so as to promote banking intermediation in the sectors of agriculture, handicrafts, small scale trade, and services to households, may operate under conditions waiving provisions of this law, as defined by special regulation issued by the National Bank of Cambodia regarding their:
   - minimum capital;
   - licensing process;
   - applicable prudential rules;
   - conditions of establishment.

CHAPTER 24
Final Provisions

Article 75: All provisions contrary to this law are hereby repealed.

Article 76: This law has been declared as urgent.

Phnom Penh, November 18, 1999
Signature

NORODOM SIHANOUK

Submitted for the signature of H.M. the King
The Prime Minister
Signature
HUN SEN

Submitted for information
to Samdech the Prime Minister
The Governor of the National Bank of Cambodia
Signature
CHEA CHANTO

No. 218 C.L.
For certified copy
Phnom Penh, November 19, 1999
The General Secretary of the Royal Government
Signature
NADY TAN