

Overview

A. Introduction

In 2012, Cambodia published a Financial Sector Development Strategy (FSDS) for the period 2011–2020 (see also section B). Among the long-term development objectives contained in the strategy that were targeted for implementation between 2017 and 2020 was a focus on developing the government securities market and the issuance of government bonds by the Government Debt Management Office of the National Treasury. As an initial milestone of this development plan, the Cambodia Securities Exchange (CSX) had previously been established in 2010. The National Bank of Cambodia began issuing negotiable certificates of deposit in 2013, effectively creating an interbank money market.

Fundamental legislation and key legislation for the securities market came into effect in 2007 with the adoption of the Law on Government Securities and the Law on the Issuance and Trading of Non-Government Securities. The Securities and Exchange Commission of Cambodia (SECC) was inaugurated in 2008 as an autonomous regulatory authority. Since then, the SECC has been gradually establishing the necessary regulatory framework and practices for a corporate bond market. The CSX has been operating since 2010 and features comprehensive listing rules. While the present listings are limited to equities, it is expected that the CSX will allow the listing and trading of debt securities as well.

The regulatory framework now supports the definition of Qualified Investors, a concept that may give rise to a professional market segment once debt securities issuance, listing, and trading commences. The SECC published the initial set of necessary *Prakas* (official declarations) for the corporate bond market in August 2017 and is further detailing definitions and procedural requirements for corporate bonds, with the corresponding regulations expected by early 2018.

At present, no real-time gross settlement (RTGS) system exists and payments are typically made via cheque. However, the National Bank of Cambodia (NBC) has introduced the Online Banking System for cheque payments among commercial banks that are members of the Online Bank System. The policy bodies and regulatory authorities recognize the need for capacity building across the nascent industry.

All securities listed and traded on the CSX are already and exclusively created in the electronic book-entry system of the CSX Depository. Although the early stage of relevant regulations referred to the possible issuance of securities in both electronic and certificate form, the SECC's policy has been to use electronic form only to be in line with international best practice and as a convenience for investors and intermediaries alike.

Because of the nascent stage of the Cambodian bond market, the Cambodia Bond Market Guide is expected to be updated on a regular basis to adequately report on the

significant developments expected in the market, including the issuance of corporate and government bonds and subsequent debt securities listings on the CSX.

B. Financial Sector Development Strategy

In 2012, the Government of Cambodia issued the FSDS for the period 2011–2020 as a publication of the Asian Development Bank (ADB), which supported its compilation.¹ The strategy was adopted by the Council of Ministers on 25 November 2011.

Subsequently, the FSDS was updated to reflect the policy objectives for 2016–2025. This latest version of the FSDS was officially launched on 15 June 2017 and includes development objectives such as:²

- a primary dealer concept,
- comprehensive open market operation of the NBC,
- creation of a spot market under the NBC, and
- further definition of the securities market under the guidance of the SECC.

The report identified achievements, challenges, and an action plan for each subsector and the financial sector as a whole for the indicated period, divided into short-term, medium-term, and long-term strategies and objectives. A number of these achievements, challenges, and plans specific to the bond market and the capital market at large are presented in the relevant chapters of the Cambodia Bond Market Guide.

C. Cooperation within the ASEAN Framework

In addition to their contribution to the Association of Southeast Asian Nations (ASEAN) Economic Community plans, the Cambodian policy bodies and regulatory authorities, particularly the SECC, participate in a range of ASEAN and ASEAN+3 initiatives in the bond market and the overall capital market.

Key among those are the ASEAN+3 Bond Market Forum (ABMF), which focuses on the development of local currency bond markets in the region—both through regulatory initiatives and the standardization or harmonization of market practices—and the ASEAN Capital Markets Forum (ACMF). ACMF has been working on a number of regional policy initiatives, recently summarized in the ACMF Vision 2025.³ Among these initiatives, the ACMF Action Plan, 2016–2020 contains the ACMF Market Development Programme, which will be a common platform to coordinate capacity building programs and efforts to optimize resources and avoid duplication of programs, with a particular focus on Cambodia, the Lao People’s Democratic Republic, Myanmar, and Viet Nam. ADB is a partner of ACMF in these efforts.

¹ ADB. *Kingdom of Cambodia Financial Sector Development Strategy, 2011–2020*.
<http://adb.org/sites/default/files/pub/2012/financial-sector-development-strategy-2011-2020.pdf>

² For details of the FSDS, please refer to
https://www.nbc.org.kh/download_files/publication/blueprints_eng/Financial-Sector-Development-Strategy-2016-2025-English.pdf

³ For a PDF download of the ACMF Vision 2025, please refer to
<http://www.theacmf.org/ACMF/upload/acmfactionplan2016-2020.pdf>