

**PRAKAS**  
**ON**  
**THE MONITORING OF BANKS' AND FINANCIAL**  
**INSTITUTIONS' NET OPEN POSITION IN FOREIGN CURRENCY**

\*\*\*\*\*

**Article 1**

This Prakas has the purpose of preventing Banks' and Financial Institutions' foreign exchange risks.

**Article 2**

For the purposes of this Prakas, terms below are defined as follows:

- A "foreign exchange risk" results from the possibility of financial loss arising from adverse movements in foreign exchange rates.
- A "foreign exchange settlement risk" results from the possibility of loss that a financial institution (FI) pays the currency it sold but does not receive the currency it bought in a foreign exchange transaction.
- The "net open position in one foreign currency" is the net outstanding balance of all assets, liabilities, and off balance sheet items in that currency. The net open position in debit is defined as "long". The net open position in credit is defined as "short".

**Article 3**

Banks and Financial Institutions shall maintain an effective system of internal control to identify, measure, monitor and control the extent and source of their foreign exchange risk and foreign exchange settlement risk during the trading day and at the close of business. The nature and the size of the internal control system shall be adapted to the size of the Banks' and Financial Institutions' foreign exchange transactions and foreign exchange positions.

**Article 4**

Banks and Financial Institutions shall at all times maintain their net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed twenty percent (20%) of Banks' and Financial Institutions' net worth.

**Article 5**

Every month, Banks and Financial Institutions shall produce both hard copy and soft copy reports of their net open position in foreign currency to the National Bank of Cambodia according to the attached format. The internal control system shall also ensure that the foreign exchange positions are properly reported to the NBC.

## **Article 6**

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

## **Article 7**

The Regulation No B795-01 dated January 16, 1995, on the monitoring of Banks' and Financial Institutions' Open Foreign Exchange Positions and all provisions contrary to those of this Prakas are hereby repealed.

## **Article 8**

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

## **Article 9**

This Prakas shall take effect from this signing date.

Phnom Penh, 27 August 2007

**The Governor**

Signed and Sealed: **Chea Chanto**