

Prakas on
The Maintenance of Minimum Reserve Requirement
in Banks and Financial Institutions

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
- With reference to the Royal Kram NS/RKM/0196/27 of January 26, 1996, promulgation the Law on the Organization and Functioning of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1206/036 of December, 2006, promulgation the Law on the amendment articles 14 and 57 of the Law on the Organization and Functioning of the National Bank of Cambodia;
- With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
- With reference to the Royal Decree NS/RKT/0508/526 of May 13, 2008, on the reappointment of His Excellency Chea Chanto as Governor General of the National Bank of Cambodia, equivalent to Senior Minister;
- Pursuant to the recommendation made by National Bank of Cambodia management during the February 23, 2009, meeting.

Decides:

Chapter 1

General Provisions

Article 1

Financial Institutions hereafter called “Institutions,” subject to reserve requirements are required to hold sufficient eligible assets, over the maintenance period, with the Central Bank, to effectively support safe and sound operational liquidity management.

Article 2

For the purposes of the implementation of the present regulation, the following definitions shall apply:

- Base period: a 14 consecutive calendar days period for which deposits and other borrowings subject to reserve requirements shall be reported to the NBC to determine the reserve requirements.
- Maintenance period: a 14 consecutive calendar days period during which the institutions subject to the present regulation will have to hold the required reserve assets to comply, on average, with their minimum reserve requirements.
- Average deposits and other borrowings base: the total of the 14 amounts reported during the base periods, divided by 14 and that will serve to determine the minimum reserve requirements to be held over the corresponding maintenance period. Average deposits and other borrowings base shall be calculated separately for Riel and for other foreign currencies (USD, etc) in which a financial institution transacts
- Reserve requirement rate: a rate that applies to the average deposits and other borrowings base and that determines the amount of minimum reserves to be held, on average, over the corresponding maintenance period. Reserve requirement rates are determined by the NBC, for Riel and for foreign currencies, and are published by means of an application regulation.
- Average minimum reserves holdings: the amount of reserves to be maintained in the form of eligible assets with the NBC in order to comply with the requirements set forth in this regulation. This amount is obtained by adding the amounts held in eligible assets during the 14 days of the maintenance period, the total then being divided by 14. Average minimum reserve holdings shall be calculated separately for Riel and for other foreign currencies (USD, etc) in which a financial institution transacts
- Minimum reserve requirements: amounts determined by multiplying the applicable reserve requirement rate by the average deposits and other borrowings base. These amounts shall be determined before the maintenance period and reported to the NBC in a timely manner. Minimum reserve requirements are recalculated separately every 14 days for both, Riel liabilities being subject to minimum reserves and foreign currency liabilities.
- Daily compulsory threshold: a minimum of 80 % of the reference minimum reserve requirements shall be maintained every day over the maintenance period on the Institutions' reserve requirement accounts with the Central Bank. This regulatory threshold applies to both minimum reserve requirements, in riel and in foreign currency.
- Eligible assets held: amounts of reserve assets held, over the 14 days maintenance period, with the NBC and that will serve to determine the average minimum reserve holdings and to assess compliance with the requirements of the present regulation
- Eligible assets required:

- For riel (KHR) reserves: balances held with the NBC for both the reserve requirement account and clearing account denominated in riel (KHR) over the 14 days maintenance period.
- For foreign currency (USD, etc): balances held with the NBC on the corresponding FX reserve requirement accounts over the 14 days maintenance period.
- **Regulatory reserve requirement reporting**: the regulatory reserve requirement reporting consists of two sets of reports:
 - **The “base reporting”**: set of tables to be sent, established in the format as in appendix 1, to the NBC Banking Supervision three (3) days after the end of the base period. This reporting shall reflect daily balances held in liabilities subject to reserve requirements, the minimum reserve requirements, the minimum threshold (80 %), and shall be established separately for Riel and for each FX currency.
 - **The “maintenance reporting”**: set of tables to be sent, established in the format as in appendix 1, to the NBC Banking Supervision three (3) days after the end of the maintenance period. This reporting shall reflect daily balances held in eligible assets with the NBC. It shall be established separately for Riel and for each FX currency and shall evidence permanent compliance with the minimum threshold of 80 %.

Chapter 2

Reserve Requirements

Article 3

Reserve requirements are both a monetary policy implementation tool and a banking supervision requirement. Reserve requirement rates are subject to changes that might be required by policy implementation purposes and global economic circumstances. Therefore, reserve requirement rates are determined by the NBC and are notified by means of application Prakas.

Article 4

Institutions shall establish and implement appropriate and prudent liquidity risk management policies aimed at achieving compliance with the requirements set forth in this Prakas.

Chapter 3

Eligible assets that can be held against minimum reserve requirements

Article 5

To comply with their minimum reserve requirements, Institutions shall hold, on average, sufficient balances of eligible assets with the Central Bank.

Article 6

Cash on hand is not considered an eligible reserve asset to ensure compliance with minimum reserve requirement holdings.

Assets eligible for maintenance of reserves required are limited to:

- Daily balances held at the Central Bank on the Institution's reserve requirement and clearing accounts, for riel (KHR) required average reserve holdings, and
- Daily balances held at the Central Bank on the Institution's reserve requirement accounts, denominated in FX currency (USD, etc), for required average reserve holdings in FX currency.

Chapter 4

Base Period and Maintenance Period

Article 7

The reserve requirement system relies on two distinct periods of 14 calendar days each: the "base period" and the "maintenance period".

Article 8

Base period is a 14 calendar days period for which calculated daily average deposits and other borrowings subject to daily average reserve requirements and daily compulsory thresholds shall be reported to the NBC to determine the reserve requirements. The amounts of average reserves that will be required over the maintenance period that follows are determined by applying the current applicable reserve requirement rates to the average deposits and other borrowings base observed during the base period.

Institutions shall make the "base reporting" available to the NBC no later than three (3) days after the last day of the base period.

Article 9

The maintenance period starts the fourth day after the last day of the base period.

The maintenance period is a period of two weeks, during which the institutions subject to the present regulation will have to hold the required and eligible assets to comply, over the 14 corresponding days and on average, with their minimum reserve requirements determined over the base period.

Financial Institutions shall make the "maintenance reporting" available to the NBC no later than 3 days after the last day of the maintenance period.

Chapter 5

Average Minimum Reserve Holdings

Article 10

Since the Eligible Asset Holdings with the NBC are averaged over the maintenance period, the reserve requirement system provides for some flexibility. However, Institutions shall take adequate measures to ensure permanent compliance with the minimum threshold set forth in Article 13.

Average Minimum Reserve Asset Holdings except clearing accounts balance against minimum requirements are determined over the corresponding maintenance period. An Institution is in compliance with this Prakas on reserves when the average amount held in eligible asset holdings over the maintenance period is at a minimum equal to or superior to 100 % (one hundred percent) of the minimum reserve requirement amount established based on the figures reported for the preceding base period.

Article 11

Since positive balances held by Institutions on their clearing accounts denominated in riel (KHR) are eligible assets for compliance with minimum reserve requirements in riel (KHR), such balances will be added up daily, over the maintenance period, with the reserve requirement account balances. The average amount of balances is obtained by dividing the aforementioned total by 14, and shall be compared to the minimum reserve requirement amount to be complied with.

Article 12

Balances held on clearing accounts opened in FX currency are not eligible assets that can be held against FX denominated minimum reserve requirements.

Chapter 6

Minimum Threshold of Reserve Holdings and Reserve Deficiencies

Article 13

Although the averaging process over the 14 days allows for some flexibility, Institutions shall maintain permanently, over the 14 day maintenance period, a minimum of 80 % of the minimum reserve requirements as determined over the corresponding base period on their reserve requirement accounts for both Riel (KHR) and FX currency (USD, etc).

This 80% Compulsory Threshold shall be complied with on a daily basis, throughout the maintenance period, by maintaining at least an equivalent amount on the reserve accounts (KHR and USD) at the NBC.

Although balances held on the Clearing Account are eligible reserve assets for KHR, they shall not be added to the Reserve Account Balances for the purposes of complying with the Daily Compulsory Threshold of 80%.

Article 14

Breaches of the daily 80 % minimum threshold and insufficient average minimum eligible holdings over a given maintenance period shall be considered reserve deficiencies and will be liable to sanctions and supervisory actions issued by the NBC against the contravening Institutions.

Chapter 7

Penalties and Supervisory Actions

Article 15

Breaches of the daily compulsory threshold of 80 % shall be fined. The fine shall be 2 % (two percent) of the insufficiency observed (80 % of reference requirement minus effective holdings on the corresponding reserve requirement account) for the first breach over a given maintenance period. In case of repeated deficiencies over several consecutive maintenance periods this penalty rate shall be brought up to 4 %.

Article 16

Deficiencies due to insufficient average reserve asset holdings over a given maintenance period shall incur to a penalty equal to 2 % (two percent) of the insufficiency observed, determined by the difference between the minimum average reserve requirement applicable over the maintenance period and the corresponding average reserve asset holdings. The penalty rate shall be increased up to 4 % in the consecutive period.

Article 17

Since daily compulsory threshold breaches and reserve insufficiencies can point at managerial issues and / or at actual and potential liquidity issues, the NBC shall consider all appropriate supervisory actions to correct the situation and make use of its sanctions powers subsequently (Article 52 of the Law on Banking and Financial Institutions).

Chapter 8

Transitional measures

Article 18

The procedure describing the transition from initial reserve requirement system to the new reserve requirement system addressing in this Prakas shall be provided in appendix2 of this Prakas.

Chapter 9

Final Provisions

Article 19

The following Prakas and Circulars are hereby repealed:

- Prakas on the Maintenance of Reserves against Deposits and Other Borrowings by a Financial Institution N° B7-93-282 R2 dated December 30, 1993
- Circular on the Methods of Maintenance of Required Reserves against Deposits and Other Borrowings by a Financial Institution and Their Reports N° B7-93-287-C1 dated December 30, 1993
- Circular on Base Period, Deposited Period, and Reporting Date N° B7-08-02 CR dated December 19, 2008.

Article 20

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

Article 21

This Prakas shall have effect from the signing date.

Phnom Penh, February 25, 2009

The Governor

Signed and sealed

cc: - All members of the Board of Directors
- The parties concerned as stated in Article 20
- File
- CM "for info"
- Administration Department of CM
"for publication in the National Gazette"

**The Maintenance of Minimum Reserve Requirement in
Banks and Financial Institution Reports**

1- Reporting related to the base period

This report details, by currency, daily customer deposits balances and other liabilities held over the base period, which is subject to minimum reserve requirements for the maintenance period and the corresponding 80 % thresholds.

This base period regulatory reporting shall be made available to the National Bank of Cambodia no later than 3 days after the end of the base period:

- Table 1A : Base period for Reserve Requirement in KHR
- Table 1B: Base period for Reserve Requirement in USD and other Foreign Currencies Converted into USD. This table is used to sum up by day, and by currency, the liabilities on which reserve requirements are required. This summary report shall be supplemented by as many detailed table as required by the number of Foreign Currencies in which the reporting institutions actually operate
 - Table 1B-01: Base period for Reserve Requirement in USD
 - Table 1B-02: Base period for Reserve Requirement in EUR converted into USD using exchange rate, published by the NBC
 - Table 1B-03: Base period for Reserve Requirement in THB converted into USD using exchange rate, published by the NBC
 - Table 1B-04: Base period for Reserve Requirement in different currencies converted into USD is an additional table that can be used for reporting other liabilities held in different currencies in which the reporting institution transacts.

2- Reporting related to the maintenance period

This report provides the daily balances held in eligible assets with the National Bank of Cambodia, and the possible breaches of daily compulsory thresholds through the averaging of the daily reserve holdings.

Institutions subject to reserve requirements shall report to the NBC within 3 days starting from the end of the maintenance period.

- Table 2A: Maintenance period report for Reserve Requirement in KHR. This report is used to calculate daily minimum reserve requirement and the compulsory threshold (80%) as copied out from the report (Table 1A).
- Table 2B: Maintenance period report for Reserve Requirement in USD.

Guideline on
The Implementation of Prakas on Minimum Reserve Requirement
For the Banks and Financial Institutions

1- Base Periods Reporting

The first base period will cover 14 calendar days from Tuesday February 17, 2009 to Monday March 2nd, 2009 (included). The first reporting set related to the base period to be considered under the new reserve requirement system will be due to the NBC on Thursday March 5, 2009 at the latest.

The second base period will cover 14 calendar days from Tuesday March 3rd, 2009 to Monday March 16, 2009 (included). The second reporting set related to the corresponding base period will be due latest Thursday March 19, 2009.

For next reports and base periods, all dates will be rolled automatically over from 14 calendar days starting from the previous period and reporting deadline.

2- Maintenance Period reporting

The first maintenance period will cover 14 calendar days from Friday March 6, 2009 to Thursday March 19, 2009 (included). The first reporting set related to the maintenance period corresponding to the first base period will be due to the NBC on March 23, 2009 because March 22, 2009 being a Sunday, so the due date is on Monday March 23, 2009 at the latest.

The second maintenance period will cover 14 calendar days from Friday March 20, 2009 to Thursday April 2, 2009 (included). The second reporting set related to the corresponding maintenance period will be due latest April 6, 2009 because April 5, 2009 being on Sunday, so the due date is on Monday April 6, 2009.

For next reports and maintenance periods, all dates will be rolled automatically over from 14 days starting from the previous period and reporting deadline.

3- Transitional measures for the maintenance of the minimum reserves

Institutions shall maintain, in average, their minimum reserves based on the figures reported for the base period going from Friday January 9, 2009 to Thursday February 5, 2009 under the previous applicable reserve requirement system by applying the applicable reserve requirement rates until Thursday March 5, 2009, included.

On Friday March 6, 2009, institutions will have to comply with new reserve requirements (daily compulsory threshold of 80% and in average over the 14 day maintenance period for the minimum reserve requirement). The corresponding requirements are the ones corresponding to the first base period under the new system, going from Tuesday February 17, 2009 to Monday March 2nd, 2009 included, using Thursday March 5th, 2009 backward of 17 days as the starting point.

4- Public holidays

Should the regular reporting deadlines correspond to a weekend or public holiday, institutions shall send their reports to the NBC at the latest the next working day following such public holiday.

Phnom Penh, Date 02 March, 2009

Schedule Of Base, Maintenance and Reporting Date

In order to harmonize the implementation of reserve requirement for banking system and to have a basis for determining each date, National Bank of Cambodia issued this schedule as appendix to Prakas N°B7.09-075 Prokor dated on February 25, 2009 on the Minimum Reserve Requirement System against Commercial Banks' Deposits and other Borrowings.

Both base and maintenance period consist of 14 days. The first base period starts from 17th February 2009 and the first maintenance period starts from 06th March 2009.

National Bank of Cambodia determines the dates as followings:

N°	Base Period	Reporting Deadlines	Maintenance Period	Reporting Deadlines
1	From 17-02-2009 to 02-03-2009	05-03-2009	From 06-03-2009 to 19-03-2009	22-03-2009
2	From 03-03-2009 to 16-03-2009	19-03-2009	From 20-03-2009 to 02-04-2009	05-04-2009
3	From 17-03-2009 to 30-03-2009	02-04-2009	From 03-04-2009 to 16-04-2009	19-04-2009
4	From 31-03-2009 to 13-04-2009	16-04-2009	From 17-04-2009 to 30-04-2009	03-05-2009
5	From 14-04-2009 to 27-04-2009	30-04-2009	From 01-05-2009 to 14-05-2009	17-05-2009
6	From 28-04-2009 to 11-05-2009	14-05-2009	From 15-05-2009 to 28-05-2009	31-05-2009
7	From 12-05-2009 to 25-05-2009	28-05-2009	From 29-05-2009 to 11-06-2009	14-06-2009
8	From 26-05-2009 to 08-06-2009	11-06-2009	From 12-06-2009 to 25-06-2009	28-06-2009
9	From 09-06-2009 to 22-06-2009	25-06-2009	From 26-06-2009 to 09-07-2009	12-07-2009
10	From 23-06-2009 to 06-07-2009	09-07-2009	From 10-07-2009 to 23-07-2009	26-07-2009
11	From 07-07-2009 to 20-07-2009	23-07-2009	From 24-07-2009 to 06-08-2009	09-08-2009
12	From 21-07-2009 to 03-08-2009	06-08-2009	From 07-08-2009 to 20-08-2009	23-08-2009
13	From 04-08-2009 to 17-08-2009	20-08-2009	From 21-08-2009 to 03-09-2009	06-09-2009
14	From 18-08-2009 to 31-08-2009	03-09-2009	From 04-09-2009 to 17-09-2009	20-09-2009
15	From 01-09-2009 to 14-09-2009	17-09-2009	From 18-09-2009 to 01-10-2009	04-10-2009
16	From 15-09-2009 to 28-09-2009	01-10-2009	From 02-10-2009 to 15-10-2009	18-10-2009
17	From 29-09-2009 to 12-10-2009	15-10-2009	From 16-10-2009 to 29-10-2009	01-11-2009
18	From 13-10-2009 to 26-10-2009	29-10-2009	From 30-10-2009 to 12-11-2009	15-11-2009
19	From 27-10-2009 to 09-11-2009	12-11-2009	From 13-11-2009 to 26-11-2009	29-11-2009

20	From 10-11-2009 to 23-11-2009	26-11-2009	From 27-11-2009 to 10-12-2009	13-12-2009
21	From 24-11-2009 to 07-12-2009	10-12-2009	From 11-12-2009 to 24-12-2009	27-12-2009
22	From 08-12-2009 to 21-12-2009	24-12-2009	From 25-12-2009 to 07-01-2010	10-01-2010
23	From 22-12-2009 to 04-01-2010	07-01-2010	From 08-01-2010 to 21-01-2010	24-01-2010

* Note:

Should the regular reporting deadlines correspond to a public holiday, banks shall send their reports to NBC latest the next working day following such public holiday.

This circular shall have effect from the signing date.

Banking Supervision