

PRAKAS
ON
FINANCIAL LEASING BUSINESS

Article 1

The purpose of this prakas is to set up, promote and develop financial leasing industry and it serves as guidance for financial leasing business operators in Cambodia.

Article 2

A bank can undertake leasing business as part of its banking operations as defined in article 2.1 of the Law on Banking and Financial Institutions and paragraph 1 of article 34 of the Law on Financial Lease. This includes Commercial banks, Specialized banks and Microfinance institutions. Bank must obtain prior approval from the National Bank of Cambodia. It must be able to demonstrate quality as described in article 4 of this prakas.

Other Institutions intending to provide or are providing financial lease products must apply for a license for financial leasing operation from the National Bank of Cambodia. Details on licensing requirements are specified in a separate parkas.

Article 3

Financial lease means a lease for an initial non-cancelable term of a year or more, in which.-

- i- the lessee specifies movable property and selects the supplier without relying primarily on the skill and judgment of the lessor; and
- ii- the movable property is acquired by the lessor in connection with a financial lease agreement for leasing to the lessee ;

Provided, however, that a subsequent lease of previously financial leased movable property is from the same lessor, such lease can still qualify as a financial lease.

A lease may be a financial lease without regard to:

- i- whether or not the periodic lease payments are calculated so as to take into account in particular the amortization of the whole or a substantial part of the cost of the movable property, or
- ii- whether or not the lessee has or subsequently acquires the option to buy the movable property or to hold it on lease for a further period.

Article 4

Commercial banks, Specialized banks and Microfinance institutions who wish to offer the financial leasing business shall:

1. have strong financial conditions and operating performance, solvency ratio, and other financial ratios in compliance with regulations of the National Bank of Cambodia

2. have adequate human and technical resources for performing financial leasing activities
3. have a written business plan for the financial leasing business approved by the board of directors of the bank. Such plan shall include the following essence:
 - a- Policies and procedures for business operation
 - b- Details of risk management system, internal control system, accounting system and appropriate reporting system. The details of risk management system shall at least include:
 - Cash flow evaluation.
 - Credit analysis system, procedures in setting customer's line of credit, procedures in setting security deposit and other fee.
 - Procedures in property management, including the acquisition of movable property, supplier approval, management of confiscated movable property , the monitoring and inspection of movable property, and the valuation of residual value of movable property and
 - Appropriate concentrations or specializations.

Article 5-

Eligible movable property of a finance leasing transaction may include, but not limited to all property, plants, equipments except land and building.

Unless a law or agreement provides otherwise, movable property that is attached to or installed in a building or land or other movable property is deemed to retain its separate identity and does not become part of the land; building or other movable property to which it is attached.

Article 6 –

All provisions contrary to those of this Prakas are hereby repealed.

Article 7-

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

Article 8-

This Prakas shall have effect from the signing date.

Phnom Penh, 27 December 2011

The Governor

Signed and Sealed: **Chea Chanto**